
# COSWAY CORPORATION LIMITED

(Stock Code: 288)

# 2011

## Annual 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!

# Contents

# CORPORATE PROFILE

Cosway Corporation Limited ("Cosway") is a hybrid consumer marketing company that blends the best features of a global network marketing system with the convenience and reach of a wide retail chain. The business began in 1979 as Cosway (M) Sdn. Bhd. ("Cosway M"), a multi level marketing ("MLM") company, and was acquired by Berjaya Group in 1994. In December 2009, Berjaya Holdings (HK) Limited (a subsidiary of the Berjaya Group) completed the acquisition of Cosway M and eCosway.com Sdn. Bhd. ("eCosway") and subsequently changed its name to Cosway Corporation Limited.

Cosway currently markets over 2,000 consumer products solely through our in house brands. The core product categories comprise health and nutritional supplements, personal care products, water filtration systems, cosmetics and fragrances, skincare, body shaping lingerie, home and car care and food and beverage. Unlike typical MLM companies, Cosway sources almost all of its products from independent manufacturers, leading researchers and ingredient suppliers and as such, the Group is able to capitalise on the advanced technological and scientific innovations of the global manufacturing and research community.

Cosway's products are available at 1,724 exclusive stores located at hypermarkets, high density residential developments, major shopping malls and housing areas globally. With the recent introduction of our "Free Stores" concept, we have seen significant growth in our sales as it allows entrepreneurial Cosway members to manage company-owned outlets (hence "free" to the members). These store operators profit from both a commission on sales and with the network marketing system, operators also benefit from multiple levels of commission through sales generated by a hierarchy of members whom they recruit.

We are presently operating in 13 countries which are grouped as follows:

- Malaysia, Singapore and Brunei
- Hong Kong, Macau and Taiwan
- Other Countries, consisting of Thailand, South Korea, Indonesia, Australia, USA, Japan, New Zealand and UK

Members are also able to conveniently shop and recruit online through our eCosway website (www.eCosway.com), while useful corporate information is also available on the website for investors and the public.

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

## Company Secretary

Mr. Wong Man Hong

## Authorised Representatives

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

## Audit Committee

Mr. Leou Thiam Lai
Mr. Chan Kien Sing
Ms. Deng Xiao Lan, Rose
Mr. Massimo Guglielmucci

## Remuneration Committee

Mr. Massimo Guglielmucci
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
Hong Leong Bank Berhad
CIMB Bank Berhad

## Registered Office

Unit 1701, 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

# NEW MARKETS OF THE YEAR

## USA


This is the world's biggest direct selling market with 65 local companies occupying the top Direct Selling News ("DSN") Global 100 (2010 Ranking) and a mammoth market size of US$28.33 billion (based on 2009 data – statistics World Federation of Direct Selling Associations ("WFDSA")). Our unique hybrid business model which merges the best features of multilevel marketing and retailing has attracted a lot of attention from top industry players. Operating from our Headquarter in Irvine, California and with our first 'Free Store' in Arcadia launched in October 2010, to date we have opened more than 30 'Free Stores' and leader centers. New stores expansion program is currently being aggressively pursued and we expect USA Operations to contribute significantly to our overall business in the near future.


## New Zealand


We set up our physical presence in New Zealand when our first 'Free Store' was opened in November 2010. To date we have seven (7) stores situated in major cities catering to the increased number of shoppers and members. Notwithstanding its low population of approximately 4.4 million people and market size of US$161 million (based on 2009 data – statistics WFDSA), New Zealand acts as a natural extension of our Australian Operations. Plans are a foot to double our stores in the next financial year.

# Japan



The world's second biggest market after USA with a market size of US$22.46 billion (based on 2009 data – statistics WFDSA), we set up our country head office in Nagoya in November 2010. We have opened more than 30 'Free Stores' and leader centers since but our expansion efforts were somewhat stifled by the unexpected tsunami and earthquake and the subsequent nuclear accident in March 2011 that paralysed the entire nation. However, as our stores are mainly situated in the southern part of the country, we were not affected by the calamities. Going forward new stores opening will be accelerated that will result in members competing aggressively to be appointed to the lucrative position as 'Free Store' operators.

# UK


Ranked fourth (4th) in Europe in terms of market size, the UK Operations is our springboard into the more lucrative direct selling markets like Germany and Russia. While the UK direct selling industry is less vibrant without a single company listed in the Top DSN Global 100 as compared to the USA, we believe the economic impact and potential of this business model cannot be overlooked. Already the overall interest generated since our soft launch in early 2011 does appear to be growing. From our country base in Birmingham where our first 'Free Store' is located, we have moved into Greater London with numerous stores being prepared for opening.

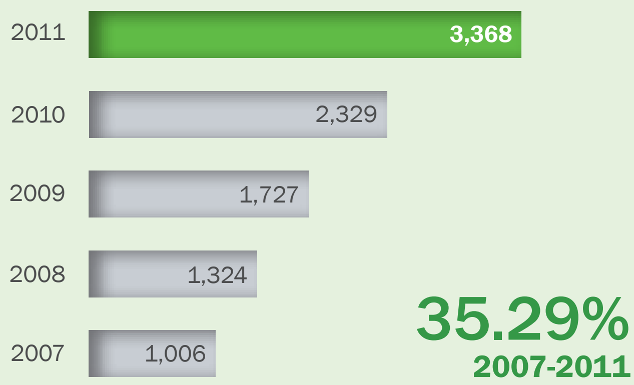
# FINANCIAL AND OPERATION HIGHLIGHTS

## Results Highlights

| | 30 April 2011 HK$'000 | 30 April 2010 HK$'000 | Increase in percentage (%) |
|---|---|---|---|
| Revenue | 3,368,483 | 2,329,278 | 44.6% |
| Gross profit | 1,399,737 | 976,325 | 43.4% |
| Profit for the year | 271,115 | 222,225 | 22.0% |
| Total assets | 2,447,187 | 1,747,877 | 40.0% |
| Shareholders' equity | 1,065,389 | 649,463 | 64.0% |

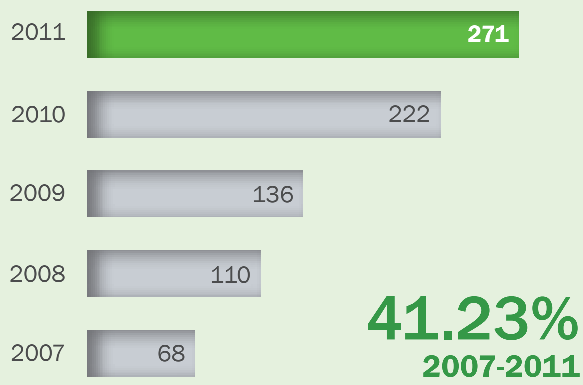
## Compound Annual Growth Rate on Revenue

HK$ million

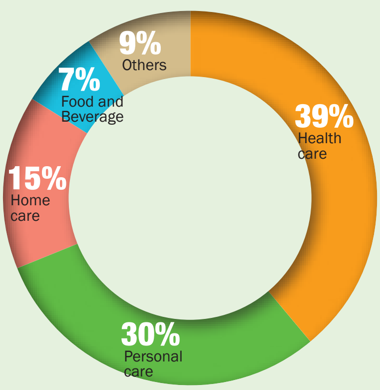



## Compound Annual Growth Rate on Profit

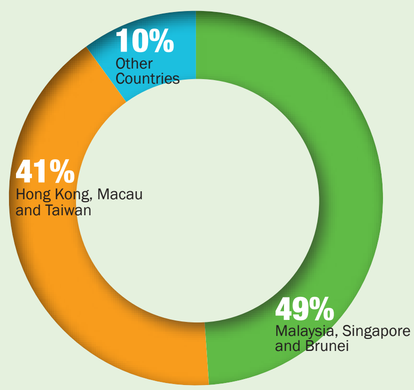
HK$ million




## Sales by Products




## Sales by Geographical Regions



# GEOGRAPHICAL INFORMATION

- Malaysia
- Singapore
- Brunei
- Taiwan
- Hong Kong/Macau
- Indonesia
- Australia
- Thailand
- South Korea
- US
- New Zealand
- Japan
- UK

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Cosway Corporation Limited (CCL), I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 April 2011.

The year 2010/2011 saw significant events that caused the lack of optimism in the global economy brought about by the Jasmine revolution in Middle East and North Africa (MENA), earthquake and tsunami and the consequent nuclear accident that hit Japan, Euro Zone debt crisis, the uncertain US economy and the threat of rising inflation. Indeed if it was not for the Asian economic growth, the economic outlook could have been worse. We were fortunate that our Group was insulated from the slew of crises and had remained resilient in the light of our transformation journey, which began in 2008 with the launch of the hybrid network marketing and retailing business model. We had not only entered into a successful venture that made competition irrelevant but also changed the rules of the game in the direct selling industry.

During the financial year, the Group continued to reap the benefits of our transformation programme and had grown steadily, adding 354 new "Free Stores" both in the existing markets and new debutant countries, USA, New Zealand, Japan and UK. As a whole we were satisfied with the progress and I am pleased to report that the Group had again achieved a record revenue for the year.

## Financial Results

For the financial year ended 30 April 2011, the Group posted a revenue of HK$3.37 billion, representing a growth of HK$1.04 billion or 44.6% against HK$2.33 billion recorded during the same period last year. This impressive sales performance was achieved mainly attributed to the continued commitment and dedication of Cosway members and "Free Stores" operators who have great trust and confidence in the uniqueness of the hybrid network marketing and retailing business model. The Group's entry into new markets during the year triggered the frenzy rush in new recruitment activities resulting in our membership base surpassing the 1 million mark globally. The imminent setting up of physical presence in Mainland China, which the Group plans to develop a wide network of retail chain stores had generated overwhelming interest in the race to acquire the opportunity to operate a "Free Store".

Typical of corporations in business expansion mode, our Group is similarly incurring substantial investment in capital expenditure relating to set up costs, additional human resources, professional and consultancy and product registration expenses. These pre-operating expenses and costs incurred during the incubation period will in the short term create a mismatch between expenses and revenue resulting in lower return on capital employed. For this reason, profit before tax for the year registered a lower growth of HK$69.61 million or 24.6% to HK$352.72 million against HK$283.11 million last year in spite of accounting for fair value gain of HK$65.97 million on certain Group's investment properties.

While the existing countries will continue to contribute positively to the overall Group's profitability, we are confident the new markets when fully operational will further drive the Group's business and strengthen our financial performance.

## Our Transformation Journey

Since the establishment of Cosway in 1979 as a simple multi level marketing (MLM) company, our business model has evolved to encompass unique features that made us stand out from other direct selling outfits. Our transformation journey started in 2008 when the first 'Free Store' was launched in Siu Sai Wan, Hong Kong and consequently giving rise to the hybrid business model that merges the best qualities of MLM and retailing.

Today the Group has replicated this successful and unique business model to 13 countries worldwide, with 1,724 stores strategically located in high foot traffic areas. Going forward into the next phase of the journey, I wish to report that the Group will continue to pursue its expansion plan with additional new store format being set up under the same 'Free Store' concept, but will carry exclusively organic products under the 'Country Farm Organic' brand name. This new venture will result in the development of yet another retail chain fully owned by the Group offering new product lines that cater to the daily consumption of members and shoppers. The first "Country Farm Organic" store opened its door on 18 May 2011 to overwhelming response at Bandar Puteri, Puchong, Malaysia and more openings are in the pipeline in Hong Kong as well as oversea markets.

The Group's efforts in building a competitive operating platform that will provide sustainability for future years continue with the bold steps taken to change and refine the member's compensation plan. This change is necessary to reinforce the effectiveness of our hybrid business model and to stimulate the passion of members and shoppers toward maximization of their income and simultaneously create a quantum leap in sales productivity.

Preparatory works are ongoing to bring our business into the Colombian, Mexican and German markets, targeted for the second half of financial year 2011/2012. However, the single and most significant event, which I believe will be the next breakthrough for the Group is when we set up our physical presence in China by the final quarter of 2011. Already, extensive marketing activities are taking place in the bigger cities in anticipation of our launch.

In support of our expansion into the international markets we have placed our focus in developing talents and leaders of the future. We have strengthened our human resources, instilling a performance driven culture and promoting the spirit of togetherness amongst the employees.

I am confident the Group will be able to compete successfully and be ranked among the top direct selling companies worldwide. The Group will show better financial results in the coming financial year.

## Conclusion

I wish to convey my utmost gratitude to our members and shoppers, business partners, regulators and shareholders for their steadfast support and cooperation throughout the years. I also wish to extend my deepest appreciation to the management team and staff whose total dedication and commitment have enabled the Group to enjoy a successful 2010/2011. I look forward to your continued support in the year ahead as we work together to make things happen and create new opportunities.

**Chuah Choong Heong**
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended 30 April 2011.

## Summary of Financial Results

The Group posted a commendable performance for the year ended 30 April 2011 with increased revenue of 44.6% to HK$3.37 billion against HK$2.33 billion recorded for the same period in 2010. The increase was mainly attributed to healthy revenue growth in the existing markets where the Group operates, as the productivity of the new "Free Stores" continued to improve, particularly in the Malaysian, Hong Kong and Taiwanese markets, with year-on-year increase in revenue from 28.1% to 39.9%.

The revenue growth was further accelerated with the strong contribution from new debutant countries, Japan and USA. In addition for mainland China, although eCosway does not have any "Free Stores" there yet, the Group had already built a brand presence in the world's most populous country via the Internet through eCosway global online shopping portal. In total the Group had established its global physical presence in 13 countries with over 1,700 stores and sales centres strategically located at high foot traffic places. Together with the ever expanding membership base of more than 1 million globally, the Group had been able to leverage on the extensive network to further grow the demand of its products which included an array of healthcare, slimming, skin care, cosmetics, household products, water filtration system as well as food and beverages.

With higher revenue, the Group's gross profit rose 43.4% to HK$1.40 billion for the year ended 30 April 2011 from HK$976.33 million in the previous year.

Profit before tax grew 24.6% and was not in tandem with the increase in revenue as the Group incurred substantial pre-operating expenses and set-up costs entering into new markets during the year. The entry into the new markets which is part of the Group's proactive efforts is expected to contribute positively to its performance in the near future.


## Results of Operations

Year Ended 30 April 2011 compared to Year Ended 30 April 2010

### (a) Revenue by Business Segment

| | 30 April 2011 | | 30 April 2010 | | % increase in sales |
|---|---|---|---|---|---|
| | HK$'mil | % | HK$'mil | % | % |
| Direct Selling/Retailing | 3,356.22 | 99.6 | 2,318.14 | 99.5 | 44.8 |
| Others | 12.26 | 0.4 | 11.14 | 0.5 | 10.1 |
| Total | 3,368.48 | 100.0 | 2,329.28 | 100.0 | 44.6 |

The bulk of the revenue is generated by the Direct Selling/Retailing of consumer goods, which are the principal activities of the Group.

### (b) Direct Selling/Retailing by Region

| | 30 April 2011 | | 30 April 2010 | | % increase in sales |
|---|---|---|---|---|---|
| | HK$'mil | % | HK$'mil | % | % |
| Malaysia, Singapore and Brunei | 1,655.95 | 49.3 | 1,257.19 | 54.2 | 31.7 |
| Hong Kong, Macau and Taiwan | 1,367.32 | 40.7 | 903.24 | 39.0 | 51.4 |
| Other Countries | 332.95 | 10.0 | 157.71 | 6.8 | 111.1 |
| Total | 3,356.22 | 100.0 | 2,318.14 | 100.0 | 44.8 |



### *Malaysia, Singapore and Brunei*

The Malaysia, Singapore and Brunei markets continued their record breaking revenue performance during the year with revenue of HK$1.66 billion, an increase of HK$398.76 million, or 31.7%, as compared to the same period in 2010.

The increase in revenue underscored the continued commitment and dedication of "Free Stores" operators and members who had embraced the eCosway's uniqueness of the network marketing and retailing concept. The "Blue Ocean strategy"* adopted had created new market space which provided many opportunities for growth as competition became irrelevant. More than 200 "Free Stores" were opened during the year providing easy access and convenience to the expanded membership base which had grown to more than half a million mark.

### *Hong Kong, Macau and Taiwan*

The Hong Kong, Macau and Taiwan region, performed superbly with revenue achievement of HK$1.37 billion for the year ended 30 April 2011, an increase of HK$464.08 million or 51.4% as compared to the same period in 2010.

The overwhelming good results were achieved as a result of the tireless efforts employed in aggressive recruitment and marketing activities supported by exciting promotions and enhanced incentives.

Out of the total revenue of HK$1.37 billion in this region, 67.5% of the revenue was contributed by Hong Kong and Macau which collectively grew a whopping 68.7% or HK$375.85 million reporting total revenue of HK$922.73 million for the year.

* "Blue Ocean Strategy" W. Chan Kim and Renée Mauborgne, Harvard Business School Press, 2005



This impressive performance was fueled by members who were extremely excited and bullish in their networking activities in anticipation of the Group's entry into new markets.

For Taiwan, the improved productivity of the stores and intensified marketing initiatives were the impetus in driving the revenue growth of 24.8% to HK$444.59 million as compared to HK$356.36 million last year.

***Other Countries***

The Group's other countries comprised Australia, Indonesia, South Korea and Thailand and the debutant countries, USA, Japan, New Zealand and UK.

Australia and Thailand represented the majority of Other Countries in terms of revenue, with combined revenue of HK$163.49 million for the year ended 30 April 2011 against HK$90.12 million for the year ended 30 April 2010. This represents an increase in revenue of more than 80% and is reflective of the effectiveness of the new hybrid business model.

The game changing revolutionary network marketing/"Free Stores" and sales centres concept had generated a refreshing and envious outlook from the direct selling industry in the respective debutant countries, USA, Japan, New Zealand and UK. Within a short span of six months, almost 100 "Free Stores" and sales centres were set up in these new countries.

During the gestation period, while the Group incurs additional capital expenditure, investment in human resources and expenses in relation to product registration, the benefits to be derived from these new markets will only accrue in the near future.


## Revenue by Product Category

| | Year 2011 | Year 2010 |
|---|---|---|
| CATEGORIES | % | % |
| Health Care | 39.3 | 38.3 |
| Personal Care | 29.2 | 26.9 |
| Home Care | 14.9 | 17.3 |
| Food & Beverage | 7.3 | 8.8 |
| Others | 9.3 | 8.7 |
| TOTAL | 100.0 | 100.0 |

Health Care and Personal Care with combined revenue of 68.5% of total Group's revenue continued to dominate the overall revenue mix for the Group and had been fairly consistent with previous years.

A reclassification of product categories was conducted during the year and Health Care products was the biggest revenue contributor with almost 40% share of the Group's revenue.

The monthly product catalogues and newsletters which were mailed to every member and VIP shoppers had shown to be a very effective selling tool as they eagerly await new and exciting promotional offers. The redemption coupons (offered in Malaysia markets) and reward points coupled with the monthly specials continued to generate buying interest amongst the members.


## Sales Outlets

During the year, 354 new "Free Stores" were opened, of which more than 200 were situated in Malaysia, Singapore and Brunei region and more than 30 in the USA and Japan. Excluding rental deposits and stocks, the capital expenditure required per new "Free Store" can range from HK$175,000 in Malaysia to over HK$500,000 in USA and HK$600,000 in Australia.

In the coming financial year, the rate of store expansion will be accelerated in the USA, Japan and China markets.

## Revenue

The Group's foray into new markets and the higher productivity attained in the existing markets arising from aggressive recruitment and marketing activities pushed revenue to a new record high of HK$3.37 billion registering a year-on-year revenue growth of almost 45%. This impressive revenue performance underscores the strength and resilience of the Group as our products and business opportunity continue to attract global interest in our hybrid marketing model.

## Gross Profit

In tandem with the increased revenue, gross profit rose by 43.4% to HK$1.40 billion for the year ended 30 April 2011, as compared to HK$976.33 million last year.

While we continue to enjoy economies of scale as a result of volume purchases, the overall gross profit margin had remained fairly consistent with last year, attributable mainly to the special introductory offers (eV sets) at attractive pricing and higher member bonus payout rate granted for recruitment of new members.


## Finance Costs

The full year impact of the interest costs in relation to the Irredeemable Convertible Unsecured Loan Securities ("ICULS") issued by the Company on 8 December 2009 and new bank borrowings obtained to finance the Group's expansion program resulted in the increase in finance costs from HK$19.03 million last year to HK$44.36 million in the current year.

## Income Taxes

Income taxes were HK$81.61 million for the year ended 30 April 2011, as compared to HK$60.89 million for the same period in 2010. As a percentage of profit before taxation, the effective income tax rate was 23.1% for the year ended 30 April 2011, as compared to 21.5% for the same period in 2010. The increase in effective income tax rate for the year under review was primarily due to higher non-deductible expenses and tax losses incurred in overseas subsidiaries.

## Future Prospects

The Group will pursue revenue growth by implementing transformational adjustments in the members' bonus plan to enhance the effectiveness and attraction of the hybrid business model. Management believes this change is necessary to further stimulate the passion of members and shoppers towards maximisation of their income which will simultaneously create a quantum leap in revenue productivity.

The new financial year will see additional new store format being set up under the same "Free Stores" concept but carrying exclusively a wide range of organic food and beverages products bearing the "Country Farm Organic" brand name. This new innovative venture will result in the development of yet another retail chain fully owned by the Group offering new product line that cater to the daily consumption of shoppers.

## MANAGEMENT DISCUSSION AND ANALYSIS


Setting up of physical presence in China by the final quarter of 2011 will be the next breakthrough for the Group. Preparatory work is currently in progress towards entering into the Colombian, Mexican and German markets.

While the existing countries are expected to contribute positively to the overall Group's growth in terms of revenue and profit, management believes the new markets when fully operational will drive the Group's business further.

### Liquidity and Financial Resources

The Group generally finances its operations with internally generated funds as well as banking facilities provided by its bankers. As at 30 April 2011, the total cash and cash equivalents were at HK$208.20 million (2010: HK$135.21 million).

The current ratio of the Group was recorded as 1.3 times (2010: 1.3 times). As at 30 April 2011, the interest-bearing bank loans and other borrowings of the Group repayable within one year and after one year were HK$249 million and HK$11 million (restated 2010: HK$163 million and HK$3 million), respectively.

The Group's gearing ratio, which is interest-bearing bank borrowings less cash and cash equivalents ("Net Debt") divided by the equity attributable to owners of the parent plus Net Debt, was approximately 4.6% as at 30 April 2011.

### Exposure to Fluctuations in Exchange Rates

The Group is exposed to risk arising from various currency exposures primarily with respect to Ringgit Malaysia. The Group's business are predominantly located in Malaysia and Asia Pacific. All transactions are conducted in currency of the various countries of the Group's operations. These investments in foreign operations' net assets are exposed to foreign currency translation risk.


The Group is also exposed to foreign currency transaction risks for the purchase of materials and payment obligations. Such exposures are mitigated through purchases denominated in relevant currencies, whenever possible. The Group will continue reviewing its exposure to fluctuations in exchange rates regularly and to consider using the appropriate financial instruments to mitigate these exposures as and when necessary.

## 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 year under review, no options granted pursuant to the Scheme had been exercised while 375,000 share options have been forfeited.

During the year, certain ICULS holders (the "ICULS Holders") elected to convert the ICULS in the principal amount of HK$550,616,000, in aggregate, into new shares of HK$0.20 each. As a result of the conversion, the Company allotted and issued 2,753,080,000 new shares of HK$0.20 each to the ICULS Holders.

## Material Acquisition, Disposals and Significant Investment

Other than those disclosed in the section under "Summary of Financial Results" above, the Group had no other material acquisition, disposal and significant investment during the year ended 30 April 2011.

## Pledge of Assets

As at 30 April 2011, land and buildings, investment properties and bank deposits with a net book value of HK$97 million, HK$231 million and HK$7 million (2010: HK$14 million, HK$195 million and HK$1 million) respectively, were pledged to secure banking facilities for the Group.


## Contingent Liabilities

Details of the contingent liabilities are set out in note 40 to the financial statements.

## Capital Commitments

Details of the capital commitments are set out in note 42 to the financial statements.

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, USA, UK and China in the coming years 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 1,400 employees as at 30 April 2011.

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.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## Executive Directors

Mr. Chuah Choong Heong, aged 66, is the founder of Cosway (M) Sdn. Bhd. and is currently the managing director of Cosway (M) Sdn. Bhd. and a director of eCosway.com Sdn. Bhd.. Mr. Chuah is also currently the Chief Executive Officer of Cosway Corporation Berhad, chairman of Singer (Malaysia) Sdn. Bhd. and holds directorship in various other subsidiaries of Berjaya Corporation Berhad, a substantial shareholder of the Company. Prior to that, he was the General Development Manager of Sterling Drugs (M) Sdn. Bhd. and General Sales Manager of Warner Lambert (M) Sdn. Bhd. He holds a Diploma in Marketing from Australia and has vast experience in the marketing of pharmaceuticals and consumer products.

Mr. Tan Yeong Sheik, Rayvin, aged 32, joined the Group in 2009. He graduated with a Bachelor of Science (First Class Hons) degree in Accounting and Finance from the London School of Economics, United Kingdom, in 2000. During his vocational training as a research intern with Jardine Fleming and Merrill Lynch & Co./Smith Zain Securities, he gained extensive experience in the field of research covering the various sectors of property, commodities, telecommunications and transport. He joined Berjaya Group Berhad and its subsidiaries in May 2001 and was subsequently appointed to the position of Executive Director in May 2002. Currently, he is an Executive Director of Berjaya Corporation Berhad as well as in Berjaya Sports Toto Berhad.

## Non-executive Directors

Mr. Chan Kien Sing, aged 55, joined the Group in 1993. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Mr. Chan joined Berjaya Group Berhad in 1989 as General Manager, Investment. In 2005, he was appointed as Group Executive Director to the Board of Berjaya Corporation Berhad. He is an Executive Director of Berjaya Corporation Berhad, Berjaya Sports Toto Berhad and Berjaya Media Berhad (companies listed on Bursa Malaysia Securities Berhad) and is a Director of Berjaya Assets Berhad (company listed on Bursa Malaysia Securities Berhad). He is also a director of various subsidiaries under the Berjaya Corporation Berhad group of companies in Malaysia and in several foreign based companies in Hong Kong, United States of America, Cayman Islands, Singapore and the Republic of Seychelles.

Mr. Tan Thiam Chai, aged 52, joined the Group in 2009, He graduated with a Diploma in Commerce (Financial Accounting) from Kolej Tuanku Abdul Rahman and also completed The Association of Chartered Certified Accountants (UK) professional course in 1981. He is a Fellow member of the Association of Chartered Certified Accountants (UK) since 1990 and also a member of the Malaysian Institute of Accountants. He started work with an accounting firm in Kuala Lumpur for about 2 years and thereafter served in various Finance and Accounting positions with the Hong Leong Group of Companies in Malaysia as well as in Hong Kong for about 8 years. He joined Berjaya Corporation Berhad and its subsidiaries in early 1991 as a Finance Manager of an operating subsidiary and was promoted to Operation Manager later that year. In 1992, he was transferred to the Corporate Head Office of Berjaya Group Berhad to head the Group Internal Audit function and subsequently in 1993, he was promoted to oversee the Group Accounting function of Berjaya Group Berhad. Currently, he is the Chief Financial Officer of Berjaya Corporation Berhad. He is also an Executive Director of Berjaya Land Berhad and Berjaya Assets Berhad and a director of Magni-Tech Industries Berhad and Berjaya Food Berhad (listed on Bursa Malaysia Securities Berhad) as well as Taiga Building Products Ltd (listed on Toronto Stock Exchange, Canada). He is also a Director of Cosway Corporation Berhad and holds directorships in several other private limited companies.

Ms. Tan Ee Ling, aged 40, joined the Group in 1993. She graduated from University of Essex, United Kingdom with a First Class honours degree in Accounting and Financial Management. Having worked in an accounting firm, she continued her studies and obtained a Master's degree in Business Administration (Finance) from University of Nottingham, United Kingdom. She is also the Senior Finance Manager of Cosway (HK) Limited.

## Independent Non-executive Directors

Mr. Leou Thiam Lai, aged 55, joined the Group in 2004 as an Independent Non-executive Director. He is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow member of The Association of Chartered Certified Accountants (UK) and a Fellow member of the Chartered Tax Institute of Malaysia (formerly known as Malaysian Institute of Taxation). He was with Aljeffri, Siva, Heng and Monteiro from 1980 to 1981 and Baharom Hamdan from 1981 to 1984. He then set up his own Chartered Accountants firm, Leou & Associates, in 1988 and, in 2007, he formed a new partnership of a Chartered Accountants firm, STYL Associates. To date, he still serves as a partner of both firms. At present, Mr. Leou also sits on the Board of DeGem Berhad, United Bintang Berhad, I-Power Berhad, Ramunia Holdings Berhad, Nextnation Communication Berhad and Sern Kou Resources Berhad.

Ms. Deng Xiao Lan, Rose, aged 48, joined the Group in 2010 as an Independent Non-executive Director, is the president of DengShi Group Limited. Ms. Deng serves as the Permanent Honorary Chairman of the Hong Kong Friendly Alliance and the Woman's Association of Hong Kong and is also serving as a Political Advisor of Sichuan Province. Ms. Deng graduated with a Bachelor's degree from Jinan University in the Mainland China.

Mr. Massimo Guglielmucci, aged 44, joined the Group in 2011 as an Independent Non-Executive Director, is a Senior Analyst with Old Peak Limited. Mr. Guglielmucci has been involved in the securities industry for over 20 years. Prior to joining Old Peak Limited in April 2007, Mr. Guglielmucci held various senior management and institutional sales positions for various securities firms including DBS Vickers Securities (Singapore) Limited, a leading securities and derivative brokerage firm in Singapore. Mr. Guglielmucci holds a Bachelor's degree in economics from Flinders University, South Australia, a post-graduate degree in applied finance and investments from the Securities Institute of Australia, and is currently a Fellow member of the Financial Services Institute of Australia.

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Practices

The board of directors of the Company (the "Board") is of the view that corporate governance is vital to the continued success of the Company and has therefore adopted various measures to ensure that a high standard of corporate governance is upheld. The Company has applied the principal and complied with the code provisions in the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") save and except deviations of Code Provisions A.2.1 and A.4.1 as described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

## Directors

### Board of Directors

The Directors come from diverse business and professional backgrounds rendering valuable expertise and experience for promoting the best interests of the Group and its shareholders as a whole by taking care of the interests of all the shareholders and that issues are considered in a more objective manner. The Board composition has been disclosed in the Report of the Directors.

During the financial year ended 30 April 2011, four Board meetings were held and the attendance of each director is set out as follows:

| Name of director | Notes | Number of Board meetings attended in the financial year ended 30 April 2011 |
|---|---|---|
| Mr. Chuah Choong Heong | | 4/4 |
| Mr. Tan Yeong Sheik, Rayvin | | 4/4 |
| Mr. Chan Kien Sing | | 4/4 |
| Mr. Tan Thiam Chai | | 4/4 |
| Ms. Tan Ee Ling | | 4/4 |
| Mr. Leou Thiam Lai | | 4/4 |
| Ms. Deng Xiao Lan, Rose | | 3/4 |
| Mr. Massimo Guglielmucci | (i) | 1/4 |
| Mr. Wong Ying Wai, Wilfred | (ii) | 2/4 |

Notes:

(i) Mr. Guglielmucci was appointed as independent non-executive director of the Company on 4 March 2011.

(ii) Mr. Wong resigned as independent non-executive director of the Company on 4 March 2011.

The agenda accompanying board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. Minutes of every Board meeting are circulated to all directors for their perusal and comments.

The Board has its own systems to circulate documents and proposals to the Board members to enable them to express their comments and opinions and make informed decisions on matters to be passed by written resolutions. Draft written resolutions will be circulated to collect comments from Board members before the formal written resolutions are circulated for signatures. The business operations were under management and supervision of the executive directors and senior management who had from time to time held meetings to discuss and resolve all material business and management issues. During the financial year, approval of appointment of a new director and new members to audit committee and remuneration committee was passed by written resolutions of all members of the board.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Each independent non-executive director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The Board is responsible for the types of decision relating to the following aspects:

– formulation of operational and strategic direction of the Company;

– monitoring the financial performance of the Company;

– overseeing the performance of the management;

– ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and

– setting the Company's values and standards.

while daily operation and administration are delegated to the management.

## Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

## Chairman and Chief Executive

Mr. Chuah Choong Heong ("Mr. Chuah") is the chairman and chief executive officer of the Company who is the founder of Cosway (M) Sdn. Bhd. and is currently the managing director of Cosway (M) Sdn. Bhd. and a director of eCosway.com Sdn. Bhd.. Both Cosway (M) Sdn. Bhd. and eCosway.com Sdn. Bhd. are the wholly-owned subsidiaries of the Company. Mr. Chuah has vast experience in the marketing of pharmaceuticals and consumer products which is beneficial and of great value to the overall development of the Company.

Mr. Chuah is the chairman and chief executive officer of the Company which is a deviation of the Code Provision A.2.1. Nevertheless, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company nor impair the effective operation of the Group 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. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Chuah and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

## Appointment and Re-election of Directors

None of the directors (excluding independent non-executive directors) has entered into a service contract with the Company during the financial year. They are appointed subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the articles of association of the Company (the "Articles of Association"). Each of Mr. Leou and Ms. Deng, the existing independent non-executive directors, had entered into an appointment letter with the Company for an appointment term of two years with effect from 1 July 2010.

Mr. Guglielmucci who was newly-appointed by the Board as independent non-executive director during the financial year had entered into an appointment letter with the Company for an appointment term of three years with effect from 4 March 2011. Pursuant to Article 115 of the Articles of Association, he will retire at the coming annual general meeting of the Company but will be eligible to stand for re-election at the same meeting.

Although certain non-executive directors are not appointed for a specific term which is a deviation of Code Provision A.4.1, 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.

## Accountability and Audit

### Financial Reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by the auditors about their reporting responsibility is set out on page 41 of this Annual Report.

## Internal Control and Risk Management

The Board has overall responsibility for the system of internal controls of the Group. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group. Their responsibilities include:

- Approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities.

- Monitoring the compliance with applicable laws and regulations, and also with corporate governance policies.

- Monitoring the quality, timeliness, and content of internal and external reporting.

## Internal Audit

The Group has established an Internal Audit Division whose primary function is to assist the Audit Committee in discharging its duties and responsibilities. Its role is to provide the Audit Committee with independent and objective reports on the adequacy of internal controls and procedures in the operating subsidiaries within the Group and the extent of compliancy by such subsidiaries with the Group's existing policies and procedures, compliance to applicable laws, regulations, directives and other external enforced compliance requirements and review of the continuing connected transactions.

The effectiveness of the material internal controls of the Group is reviewed by the Board periodically. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

## Audit Committee

The Audit Committee currently comprises the following members:

| | |
|---|---|
| Mr. Leou Thiam Lai | – Independent Non-executive Director |
| Mr. Chan Kien Sing | – Non-executive Director |
| Ms. Deng Xiao Lan, Rose | – Independent Non-executive Director |
| Mr. Massimo Guglielmucci | – Independent Non-executive Director |

Mr. Leou Thiam Lai is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company.

The Audit Committee held three meetings during the financial year ended 30 April 2011. The attendance of each member is set out as follows:

| Name of member | Notes | Number of meetings attended in the financial year ended 30 April 2011 |
|---|---|---|
| Mr. Leou Thiam Lai | (i) | 3/3 |
| Mr. Chan Kien Sing | (ii) | 2/3 |
| Ms. Deng Xiao Lan, Rose | | 2/3 |
| Mr. Massimo Guglielmucci | (iii) | 1/3 |
| Mr. Wong Ying Wai, Wilfred | (iv) | 2/3 |

Notes:

(i) Mr. Leou was appointed as the Chairman of the Audit Committee of the Company on 4 March 2011;

(ii) Mr. Chan was appointed as a member of Audit Committee of the Company on 30 November 2010;

(iii) Mr. Guglielmucci was appointed as a member of the Audit Committee of the Company on 4 March 2011;

(iv) Mr. Wong resigned as the Chairman of the Audit Committee of the Company on 4 March 2011.

The activities undertaken by the Audit Committee during the financial year ended 30 April 2011 included the following:

1. Reviewed the quarterly, half-yearly and annual financial results before submission to the Board for consideration and approval;

2. Reviewed the external auditors' scope of work and audit plan for the year;

3. Reviewed and discussed the external auditors' audit report;

4. Reviewed internal audit reports tabled and presented at the Audit Committee meeting and considered the major findings of internal audit in the Group's operating subsidiaries and management responses thereto and ensuring significant findings were adequately addressed by management and agreed audit recommendation were implemented;

5. Reviewed the continuing connection transactions; and

6. Reported to the Board on its activities and significant findings and results.

The Terms of the Reference of the Audit Committee include the followings:

1. To review the quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:

   (i) any changes in accounting policies and practices;

   (ii) major judgemental areas;

   (iii) significant adjustments resulting from the audit;

   (iv) the going concern assumption;

   (v) compliance with accounting standards; and

   (vi) compliance with stock exchange and legal requirements;

2. To review the external auditor's management letter and management's response;

3. To consider the major findings of internal investigation and management's response; and

4. To consider other topics, as defined by the Board.

## Remuneration Committee

The Remuneration Committee currently comprises the following members:

| | |
|---|---|
| Mr. Massimo Guglielmucci | – Independent Non-executive Director |
| Mr. Tan Yeong Sheik, Rayvin | – Executive Director |
| Mr. Leou Thiam Lai | – Independent Non-executive Director |
| Ms. Deng Xiao Lan, Rose | – Independent Non-executive Director |

Mr. Massimo Guglielmucci is the chairman of the Remuneration Committee.

The Terms of Reference of the Remuneration Committee include the followings:

(1) To make recommendations to the Board on the policy of the Company and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) To have the delegated responsibility to determine the specific remuneration package for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations;

(3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(6) To ensure that no director or any of his/her associate is involved in deciding his/her own remuneration.

During the financial year ended 30 April 2011, the Remuneration Committee reviewed and approved the remuneration package of the directors and the grant of share options to the directors by written resolution. No change has been proposed to the remuneration policies for the Group. No director or any his/her associates was involved in deciding his/her own remuneration.

Details of the directors' emoluments are set out in note 8 to the financial statements.

## Auditors' Remuneration

During the financial year ended 30 April 2011, the remuneration paid to the Company's auditors, Ernst & Young, is set out as follows:

| Services rendered | Fees payable (HK$'000) |
|---|---|
| Audit services | 2,505 |
| Non-audit services | 716 |
| | 3,221 |

## Investor Relations and Communications

The Board recognises their responsibilities to present the interests of all shareholders and is committed to foster and maintain an open and prompt communication with shareholders and investors. Key information on the Group includes annual reports, interim reports, circulars and quarterly results is disseminated through the corporate website (www.coswaycorp.com).

The last shareholders' meeting was the AGM held on 30 September 2010 which was held at the Sheraton Hotel, Hong Kong. All resolutions put to shareholders were passed at the 2010 AGM. The major items discussed and the percentage of votes cast in favour of the resolution are set out below:

- Re-election of Ms. Tan Ee Ling, Mr. Leou Thiam Lai, Mr. Chuah Choong Heong, Mr. Wong Ying Wai, Wilfred and Ms. Deng Xiao Lan, Rose as Directors of the Company (100% in respect of each individual resolution);

- General Mandate to Directors to issue additional shares in the Company not exceeding 20% of the issued share capital (99.99%); and

- General Mandate to Directors to purchase shares in the Company not exceeding 10% of the issued share capital (99.99%).

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 April 2011.

## Principal activities

The principal activities of the Company are property investment and investment holding. The principal activities of the subsidiaries consist of direct sales of consumer products, property investment and investment holding.

## Results and dividends

The Group's profit for the year ended 30 April 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 125.

The directors do not recommend the payment of any dividend in respect of the year.

## Summary financial information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 126. This summary does not form part of the audited financial statements.

## Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 127 to 128 of the annual report.

## Share capital, share options and irredeemable convertible unsecured loan securities

Details of movements in the Company's share capital, share options and irredeemable convertible unsecured loan securities during the year are set out in notes 35, 36 and 34 to the financial statements, respectively.

## Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable reserves

At 30 April 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$22,456,000.

## Charitable contributions

During the year, the Group made charitable contributions totalling HK$746,000.

## Major customers and suppliers

Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

## Directors

The directors of the Company during the year were:

### 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. Leou Thiam Lai | |
| Ms. Deng Xiao Lan, Rose | |
| Mr. Massimo Guglielmucci | (appointed on 4 March 2011) |
| Mr. Wong Ying Wai, Wilfred | (resigned on 4 March 2011) |

Mr. Massimo Guglielmucci who was appointed by the Board of Directors during the year, will retire at the forthcoming annual general meeting of the Company in accordance with article 115 of the Company's articles of association, but he will be eligible to stand for re-election at the same meeting.

Mr. Tan Yeong Sheik, Rayvin, Mr. Chan Kien Sing and Mr. Tan Thiam Chai will also retire by rotation at the forthcoming annual general meeting of the Company in pursuant to articles 110 and 111 of the Company's articles of association and will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Leou Thiam Lai, Ms. Deng Xiao Lan, Rose and Mr. Massimo Guglielmucci and still considers them to be independent.

## Biographical details of Directors

Biographical details of the directors of the Company are set out on page 21 of the annual report.

## Changes in information of Directors

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 31 October 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is set out below:

| Name of director | Details of changes |
|---|---|
| Tan Yeong Sheik, Rayvin | Mr. Tan Yeong Sheik, Rayvin has been appointed as a new member of Remuneration Committee of the Company with effect from 30 November 2010 |
| Chan Kien Sing | Mr. Chan Kien Sing has been appointed as a new member of Audit Committee of the Company with effect from 30 November 2010 |
| Leou Thiam Lai | Mr. Leou Thiam Lai has been appointed as Chairman of the Audit Committee of the Company with effect from 4 March 2011 |
| Massimo Guglielmucci | Mr. Massimo Guglielmucci has been appointed as Independent Non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee of the Company with effect from 4 March 2011 |
| Wong Ying Wai, Wilfred | Mr. Wong Ying Wai, Wilfred resigned as Independent Non-executive Director, Chairman of Audit Committee and Chairman of the Remuneration Committee of the Company with effect from 4 March 2011 |

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Biographical Details of Directors".

## Directors' service contracts

Each of Independent Non-Executive Directors is currently appointed by the Company under an appointment letter for a term not more than three years which can be terminated by either party giving to the other party not less than 90 days' prior notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

## Directors' interests in contracts

Save as disclosed in note 44 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Directors' interests in shares and underlying shares of the Company or any associated corporation

As at 30 April 2011, the interests of the directors, chief executives and their associates in the shares or underlying shares 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 | 0.16% |
| Tan Yeong Sheik, Rayvin (Note 1) | Beneficial owner | 221,706,972 | 500,000 | 227,600,500 | 449,807,472 | 9.54% |
| 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% |
| Massimo Guglielmucci | Beneficial owner | 7,731,599 | – | – | 7,731,599 | 0.16% |

* 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 449,807,472 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 option scheme".

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

### (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 | 40,000 | – | 40,000 | 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 | 214,000 | – | 214,000 | 0.02% |
| Tan Thiam Chai | Beneficial owner/ interests of spouse | 229,542 (Note) | – | 229,542 | 0.02% |

Note: Of these shares, 66,000 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.

### (4) Berjaya Food 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 | 100,000 | 100,000 | 200,000 | 0.14% |

Save as disclosed above, as at 30 April 2011, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares or underlying shares 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.

## Directors' rights to acquire shares

Save as disclosed in the section "Directors' interests in shares and underlying shares of the Company or any associated corporation" above and in the section "Share option scheme" below, at no time during the year 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 holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 April 2011, the Company had been notified of the following interests and short positions of the substantial shareholders in the shares and 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 and short 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 | Long position approximate percentage of shareholding | Short position number of ordinary shares | Short position approximate percentage of shareholding |
|---|---|---|---|---|---|---|---|
| Tan Sri Dato' Seri Vincent, Tan Chee Yioun ("TSVT") (Notes 1 and 2) | Interests through controlled corporations/Beneficial owner | 3,060,972,977 | 6,022,673,292 | 9,083,646,269 | 192.66% | 617,000,009 | 13.09% |
| Berjaya Corporation Berhad ("BCorp") (Note 2) | Interests through controlled corporations | 2,615,220,696 | 4,566,242,832 | 7,181,463,528 | 152.32% | 385,000,000 | 8.17% |
| Cosway Corporation Berhad (Note 3) | Beneficial owner | 2,142,855,115 | 4,433,592,257 | 6,576,447,372 | 139.48% | 385,000,000 | 8.17% |
| Berjaya Retail Berhad (Note 4) | Interests through controlled corporations | 115,752,272 | 565,000,000 | 680,752,272 | 14.44% | - | - |
| United Industrial Services Ltd. (Note 5) | Interests through controlled corporation | 429,226,447 | 191,559,080 | 620,785,527 | 13.17% | - | - |
| AMMB Holdings Berhad (Note 6) | Interests through controlled corporations | 400,000,009 | - | 400,000,009 | 8.48% | - | - |
| Wan Ming Sun ("Mr. Wan") (Note 7) | Beneficial owner | 253,636,626 | 75,898,805 | 329,535,431 | 6.99% | - | - |

* 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 41.60% of the total issued share capital of BCorp as at 30 April 2011. TSVT was deemed to be interested in an aggregate of 9,083,646,269 shares held by BCorp and TSVT himself among which 6,022,673,292 were underlying shares held in form of ICULS which could be converted into ordinary shares. 617,000,009 shares were held in form of short positions.

2. BCorp held a total of 7,181,463,528 shares indirectly through Berjaya Group (Cayman) Limited, Berjaya Leisure (Cayman) Limited, Cosway Corporation Berhad, Prime Credit Leasing Sdn. Bhd., Berjaya Sompo Insurance Berhad, Inter-Pacific Securities Sdn. Bhd. and Berjaya Hills Berhad including 4,566,242,832 underlying shares which could be issued upon conversion of the ICULS. 385,000,000 shares were held in form of short positions.

3. Cosway Corporation Berhad directly held a total of 6,576,447,372 shares including 4,433,592,257 underlying shares which could be issued upon conversion of the ICULS. 385,000,000 shares were held in form of short positions.

4. Berjaya Retail Berhad ("BRetail") held a total of 680,752,272 shares 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 191,559,080 underlying shares which could be issued upon conversion of the ICULS.

6. AMMB Holdings Berhad held 400,000,009 shares through its wholly-owned subsidiaries, namely AMFB Holdings Berhad and AmBank (M) Berhad.

7. Mr. Wan held 329,535,431 shares among which 75,898,805 were underlying shares held in form of ICULS which could be converted into ordinary shares.

Save as disclosed above, as at 30 April 2011, 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.

## Share option scheme

Pursuant to an ordinary resolution of the shareholders of the Company dated 23 November 2009, a share option scheme (the "Scheme") was approved and adopted for the purpose of providing incentives and rewards to eligible participants, including executive directors, non-executive directors, independent non-executive directors, employees and any shareholder of any member of the Group for their contribution to the Group. The Scheme became effective on 29 January 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which share options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders and/or specially identified by the Board. The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 business days from the date of offer, upon payment of a consideration of HK$1 in total by the grantee. The exercise price shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme is 366,746,054, representing 7.78% of the issued shares of the Company as at the date of this annual report.

Further details of the Scheme are disclosed in note 36 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

## Share options

| Name or category of of grantees | Notes | Date of grant of the share options | Exercise period of the share options | Exercise price of the share options | Number of shares options: Outstanding as at 1 May 2010 | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding as at 30 April 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | |
| Chuah Choong Heong | (a) | 6 May 2010 | 6 May 2010 to 5 May 2020 | HK$1.10 | – | 7,500,000 | – | – | 7,500,000 |
| Tan Yeong Sheik, Rayvin | (b) | 6 May 2010 | 6 May 2010 to 5 May 2020 | HK$1.10 | – | 500,000 | – | – | 500,000 |
| | | | | | – | 8,000,000 | – | – | 8,000,000 |
| **Non-Executive Director** | | | | | | | | | |
| Tan Ee Ling | (c) | 6 May 2010 | 6 May 2010 to 5 May 2020 | HK$1.10 | – | 125,000 | – | – | 125,000 |
| **Others** | | | | | | | | | |
| Employees | (b) and (c) | 6 May 2010 | 6 May 2010 to 5 May 2020 | HK$1.10 | – | 9,500,000 | – | (375,000) | 9,125,000 |
| | | | | | – | 17,625,000 | – | (375,000) | 17,250,000 |

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.*

(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.

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

| Grantee | Number of options granted during the year | Theoretical value of share options HK$'000 |
|---|---|---|
| Chuah Choong Heong | 7,500,000 | 5,325 |
| Tan Yeong Sheik, Rayvin | 500,000 | 355 |
| Tan Ee Ling | 125,000 | 89 |
| Other employees | 9,500,000 | 6,744 |
| | 17,625,000 | 12,513 |

The binomial option pricing model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options were the average risk-free interest rate, expected volatility and expected dividend. The measurement dates used in the valuation calculations were the dates on which the options were granted. Details of the assumptions are set out in note 36 to the financial statements. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

## Directors' interest in competing business

None of the directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## Disclosure pursuant to Rules 13.18 and 13.21 of the Listing Rules

The following information is disclosed pursuant to rules 13.18 and 13.21 of Chapter 13 of the Listing Rules.

Pursuant to a facility agreement entered into between a wholly-owned subsidiary of the Company, as borrower, and a bank on 15 July 2011 relating to a 5 years term loan facility of up to RM100,000,000 (equivalent to HK$261,370,000) granted to the subsidiary, BCorp should remain as the ultimate holding company of the subsidiary throughout the tenure of the facility. Failure to comply with the undertaking will constitute an event of default under the facility agreement. Details of which have been disclosed in the Company's announcement dated 21 July 2011.

## Continuing connected transactions

During the year ended 30 April 2011, the Group entered into the following continuing connected transactions ("CCT") within the meaning of Chapter 14A of the Listing Rules. Description of the agreements and transactions is set out in the Company's announcement dated 13 October 2009, Company's circular dated 30 October 2009 and the Company's announcement dated 25 May 2010 (collectively refer as to the "Documents"). Capitalised terms used in this section shall have the same meanings as those defined in the Documents, unless the context requires otherwise.

I) The following Exempted CCTs and Exempted New CCTs are continuing connected transactions which are subject to reporting and announcement requirements but are exempted from the independent shareholders' approval requirements:

| | Title | Agreement date | Contracting parties | Subject of transaction | Caps for year ended 30 April 2011 | 2011 Transaction amounts |
|---|---|---|---|---|---|---|
| **(A)** | **Exempted Master Supply of Services Agreement** | | | | | |
| (a) | UMobile Telecom Services Agreement | 13 Oct 2009 | – the Company<br>– UMobile | supply of telecom services by UMobile Group to the Group | RM400,000 (equivalent to approximately HK$965,600) | RM334,700 (equivalent to approximately HK$832,600) |

| | Title | Agreement date | Contracting parties | Subject of transaction | Caps for year ended 30 April 2011 | 2011 Transaction amounts |
|---|---|---|---|---|---|---|
| **(B)** | **Exempted Master Leasing Agreements** | | | | | |
| (a) | BCorp First Master Leasing Agreement in relation to rental receivables by the Group | 13 Oct 2009 | – the Company<br>– BCorp | leasing of the Cosway Premises by the Group to BCorp Group | RM2,500 (equivalent to approximately HK$6,035) | RM1,800 (equivalent to approximately HK$4,500) |
| (b) | BLand First Master Leasing Agreement in relation to rental receivables by the Group | 13 Oct 2009 | – the Company<br>– BLand | leasing of the Cosway Premises by the Group to BLand Group | RM125,000 (equivalent to approximately HK$301,750) | RM109,000 (equivalent to approximately HK$271,100) |
| (c) | BToto Master Leasing Agreement in relation to rental receivables by the Group | 13 Oct 2009 | – the Company<br>– BToto | leasing of the Cosway Premises by the Group to BToto Group | RM7,500 (equivalent to approximately HK$18,105) | RM3,600 (equivalent to approximately HK$9,000) |
| (d) | UMobile Master Leasing Agreement in relation to rental receivables by the Group | 13 Oct 2009 | – the Company<br>– UMobile | leasing of the Cosway Premises by the Group to UMobile Group | RM60,000 (equivalent to approximately HK$144,840) | RM43,200 (equivalent to approximately HK$107,500) |
| **(C)** | **Exempted New CCT Agreements** | | | | | |
| (a) | BCorp Third Master Supply of Goods Agreement | 25 May 2010 | – the Company<br>– BCorp | supply of Consumer Products by BCorp Group to the Group | RM5,761,000 (equivalent to approximately HK$13,907,054 | RM3,097,800 (equivalent to approximately HK$7,707,400) |
| (b) | Singer Master Supply of Goods Agreement | 25 May 2010 | – the Company<br>– Singer | supply of Consumer Products by Singer to the Group | RM1,500,000 (equivalent to approximately HK$3,621,000 | RM503,700 (equivalent to approximately HK$1,253,200) |
| (c) | TT Master Supply of Goods Agreement | 25 May 2010 | – the Company<br>– TT | supply of Consumer Products by TT Group to the Group | RM786,000 (equivalent to approximately HK$1,897,404) | RM369,200 (equivalent to approximately HK$918,500) |
| (d) | BCorp Logistics Services Agreement | 25 May 2010 | – the Company<br>– BCorp | supply of Logistics Services by BCorp Group to the Group | RM853,000 (equivalent to approximately HK$2,059,142) | RM672,500 (equivalent to approximately HK$1,673,200) |

II) The following Non-Exempted CCTs are continuing connected transactions which are subject to reporting and announcement and the independent shareholders' approval requirements:

| | Title | Agreement date | Contracting parties | Subject of transaction | Caps for year ended 30 April 2011 | 2011 Transaction amounts |
|---|---|---|---|---|---|---|
| **(A)** | **Non-Exempted Master Leasing Agreements** | | | | | |
| (a) | BCorp Second Master Leasing Agreement in relation to rental payables by the Group | 13 Oct 2009 | – the Company – BCorp | leasing of the BCorp Premises by the Group from BCorp Group | RM65,000 (equivalent to approximately HK$156,910) | RM32,800 (equivalent to approximately HK$81,600) |
| (b) | BLand Second Master Leasing Agreement in relation to rental payables by the Group | 13 Oct 2009 | – the Company – BLand | leasing of the BLand Premises by the Group from BLand Group | RM155,000 (equivalent to approximately HK$345,345) | RM137,600 (equivalent to approximately HK$342,200) |
| (c) | BAssets Master Leasing Agreement in relation to rental payables by the Group | 13 Oct 2009 | – the Company – BAssets | leasing of the BAssets Premises by the Group from BAssets Group | RM560,000 (equivalent to approximately HK$1,351,840) | RM416,200 (equivalent to approximately HK$1,035,400) |
| (d) | 7-Eleven Master Leasing Agreement in relation to rental payables by the Group | 13 Oct 2009 | – the Company – 7-Eleven | leasing of the 7-Eleven Premises by the Group from 7-Eleven Group | RM620,000 (equivalent to approximately HK$1,496,680) | RM433,800 (equivalent to approximately HK$1,079,400) |
| **(B)** | **Non-Exempted Master Supply of Goods Agreements** | | | | | |
| (a) | BCorp First Master Supply of Goods Agreement | 13 Oct 2009 | – the Company – BCorp | supply of Cleaning Products by the Group to BCorp Group | RM330,000 (equivalent to approximately HK$735,250) | RM204,700 (equivalent to approximately HK$509,400) |
| (b) | BCorp Second Master Supply of Goods Agreement | 13 Oct 2009 | – the Company – BCorp | supply of Garments by BCorp Group to the Group | RM1,000,000 (equivalent to approximately HK$2,228,030) | Nil |
| (c) | BLand Master Supply of Goods Agreement | 13 Oct 2009 | – the Company – BLand | supply of Cleaning Products by the Group to BLand Group | RM1,500,000 (equivalent to approximately HK$3,621,000) | RM840,400 (equivalent to approximately HK$2,091,000) |
| (d) | BAssets Master Supply of Goods Agreement | 13 Oct 2009 | – the Company – BAssets | supply of Cleaning Products by the Group to BAssets Group | RM18,000 (equivalent to approximately HK$40,105) | RM3,200 (equivalent to approximately HK$7,900) |
| (e) | Dijaya Master Supply of Goods Agreement | 13 Oct 2009 | – the Company – Dijaya | supply of Cleaning Products by the Group to Dijaya Group | RM25,000 (equivalent to approximately HK$55,701) | RM9,700 (equivalent to approximately HK$24,100) |

## REPORT OF THE DIRECTORS

| | Title | Agreement date | Contracting parties | Subject of transaction | Caps for year ended 30 April 2011 | 2011 Transaction amounts |
|---|---|---|---|---|---|---|
| (f) | UMobile Master Supply of Goods Agreement | 13 Oct 2009 | – the Company<br>– UMobile | supply of Telecom Equipment by UMobile Group to the Group | RM400,000 (equivalent to approximately HK$965,600) | RM19,900 (equivalent to approximately HK$49,500) |
| (g) | 7-Eleven Master Supply of Goods Agreement | 13 Oct 2009 | – the Company<br>– 7-Eleven | supply of Chemical Products by the Group to the 7-Eleven Group | RM450,000 (equivalent to approximately HK$1,002,613) | RM58,400 (equivalent to approximately HK$145,400) |
| **(C)** | **Non-Exempted Master Supply of Services Agreements** | | | | | |
| (a) | BMedia Advertising Services Agreement | 13 Oct 2009 | – the Company<br>– BMedia | supply of Advertising Services by BMedia Group to the Group | RM1,300,000 (equivalent to approximately HK$2,896,439) | RM402,400 (equivalent to approximately HK$1,001,100) |
| (b) | BLand Aircraft Agreement | 13 Oct 2009 | – the Company<br>– BLand | leasing of Aircraft from BLand Group to the Group | RM1,250,000 (equivalent to approximately HK$3,017,500) | RM960,000 (equivalent to approximately HK$2,388,500) |
| (c) | BCorp Mailing Services Agreement | 13 Oct 2009 | – the Company<br>– BCorp | supply of Mailing Services by BCorp Group to the Group | RM230,000 (equivalent to approximately HK$555,220) | RM210,800 (equivalent to approximately HK$524,400) |
| (d) | BCorp Printing Services Agreement | 13 Oct 2009 | – the Company<br>– BCorp | supply of Printing Services by BCorp Group to the Group | RM6,000,000 (equivalent to approximately HK$14,484,000) | RM5,840,800 (equivalent to approximately HK$14,531,800) |
| (e) | BCorp Courier Services Agreement | 13 Oct 2009 | – the Company<br>– BCorp | supply of Courier Services by BCorp Group to the Group | RM260,000 (equivalent to approximately HK$627,640) | RM166,200 (equivalent to approximately HK$413,500) |
| (f) | BCorp Insurance Services Agreement | 13 Oct 2009 | – the Company<br>– BCorp | supply of Insurance Services by BCorp Group to the Group | RM3,750,000 (equivalent to approximately HK$9,052,500) | RM2,731,600 (equivalent to approximately HK$6,796,100) |
| (g) | BLand Guard Services Agreement | 13 Oct 2009 | – the Company<br>– BLand | supply of Guard Services by BLand Group to the Group | RM250,000 (equivalent to approximately HK$603,500) | RM205,900 (equivalent to approximately HK$512,300) |

## Connected Relationship of the Parties in the above Transactions

BCorp is a controlling shareholder of the Company and hence BCorp is a connected person of the Company pursuant to the Listing Rules.

BLand is an indirect subsidiary of BCorp and hence a connected person of the Company pursuant to the Listing Rules.

BToto is an indirect subsidiary of BCorp and hence a connected person of the Company pursuant to the Listing Rules.

BAssets is an associated company of BLand. TSVT, a connected person of the Company, is also a major shareholder in BAssets and hence, BAssets is a connected person of the Company pursuant to the Listing Rules.

BMedia is an associated company of BCorp. TSVT, a connected person of the Company, is also a major shareholder in BMedia and hence, BMedia is a connected person of the Company pursuant to the Listing Rules.

UMobile is a company in which TSVT, a connected person of the Company, is a major shareholder. Hence, UMobile is a connected person of the Company pursuant to the Listing Rules.

Dijaya is a company in which Tan Sri Dato' Danny Tan Chee Sing (a brother of TSVT, a connected person of the Company) is a major shareholder. Hence, Dijaya is a connected person of the Company pursuant to the Listing Rules.

TT is a wholly-owned subsidiary of TT Resources Berhad, a company where Tan Sri Dato' Danny Tan Chee Sing (a brother of TSVT, a connected person of the Company) is a major shareholder. Hence, TT is a connected person of the Company pursuant to the Listing Rules.

7-Eleven is a wholly-owned subsidiary of BRetail, a company in which TSVT, a connected person of the Company, is a major shareholder and hence, 7-Eleven is a connected person of the Company pursuant to the Listing Rules.

Singer is a wholly-owned subsidiary of BRetail, a company in which TSVT, a connected person of the Company, is a major shareholder and hence, Singer is a connected person of the Company pursuant to the Listing Rules.

## Reasons for and Benefits of the Transactions

The Cosway Group (including Cosway (M) Sdn. Bhd. and eCosway.com Sdn. Bhd. as subsidiaries of the Company) had various arrangements ("Arrangements") with a number of entities affiliated with BCorp, being connected persons of the Company, including (i) the leasing of Cosway Premises to the relevant connected persons, (ii) the renting of premises from the relevant connected persons, (iii) supply of Goods to/from the relevant connected persons, and (iv) supply of Services from the relevant connected persons, all of which fall within the ordinary and usual course of business of the Cosway Group. The Group would like to continue with the relevant services which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Announcements dated 13 October 2009 and 25 May 2010, and a circular dated 30 October 2009 respectively containing details of the abovementioned continuing connected transactions have been published to the shareholders. The Non-Exempted CCTs were duly approved by the Independent Shareholders of the Company at an extraordinary general meeting held on 23 November 2009.

The Directors (including the independent non-executive directors) have reviewed and confirmed the continuing connected transactions contemplated under this section have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on an arm's length basis;

(iii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iv) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

## Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## Events after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 48 to the financial statements.

## Corporate governance

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the financial year ended 30 April 2011 with certain deviations. Details of the corporate governance matters are set out in the Corporate Governance Report of this annual report.

## Auditors

Ernst & Young were appointed by the Directors to fill the casual vacancy caused by the resignation of PricewaterhouseCoopers as auditors of the Company in year 2009. There have been no other changes of auditors in the past three years. Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chuah Choong Heong**
*Chairman*

Hong Kong
26 July 2011

ERNST & YOUNG
安 永

**TO THE SHAREHOLDERS OF COSWAY CORPORATION LIMITED**
*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Cosway Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 125, which comprise the consolidated and company statements of financial position as at 30 April 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance abo ut whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
*Certified Public Accountants*

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

26 July 2011

# CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| REVENUE | 5 | **3,368,483** | 2,329,278 |
| Cost of sales | | **(1,968,746)** | (1,352,953) |
| Gross profit | | **1,399,737** | 976,325 |
| Other income | 5 | **12,430** | 15,166 |
| Selling and distribution expenses | | **(602,046)** | (347,972) |
| General and administrative expenses | | **(461,559)** | (332,797) |
| Other expenses, net | | **(18,070)** | (17,964) |
| Change in fair value of investment properties | | **65,972** | 9,010 |
| Finance costs | 6 | **(44,363)** | (19,031) |
| Share of profits and losses of associates | | **623** | 373 |
| PROFIT BEFORE TAX | 7 | **352,724** | 283,110 |
| Income tax expense | 10 | **(81,609)** | (60,885) |
| PROFIT FOR THE YEAR | | **271,115** | 222,225 |
| Attributable to: | | | |
| Owners of the parent | 11 | **268,669** | 211,756 |
| Non-controlling interests | | **2,446** | 10,469 |
| | | **271,115** | 222,225 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 13 | | |
| Basic and diluted | | **HK$0.02** | HK$0.04 |

Details of the dividend are disclosed in note 12 to the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| PROFIT FOR THE YEAR | | **271,115** | 222,225 |
| OTHER COMPREHENSIVE INCOME | | | |
| Share of other comprehensive income of associates | | **5,710** | (2,542) |
| Exchange differences on translation of foreign operations | | **42,210** | 70,102 |
| | | **47,920** | 67,560 |
| Surplus on property revaluation | | **58,821** | – |
| Income tax effect | | **(20,000)** | – |
| | | **38,821** | – |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | **86,741** | 67,560 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **357,856** | 289,785 |
| Attributable to: | | | |
| Owners of the parent | 11 | **354,798** | 276,842 |
| Non-controlling interests | | **3,058** | 12,943 |
| | | **357,856** | 289,785 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 April 2011

| | Notes | 30 April 2011 HK$'000 | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 14 | **388,961** | 235,007 | 128,247 |
| Investment properties | 15 | **351,646** | 264,519 | 114,990 |
| Goodwill | 16 | **328,363** | 317,395 | 9,741 |
| Investments in associates | 18 | **16,660** | 10,392 | 109 |
| Available-for-sale investments | 19 | **513** | 475 | 243 |
| Deposits | 23 | **64,689** | 45,167 | 28,336 |
| Deferred tax assets | 20 | **22,426** | 7,525 | 2,523 |
| Total non-current assets | | **1,173,258** | 880,480 | 284,189 |
| **CURRENT ASSETS** | | | | |
| Inventories | 21 | **895,293** | 581,889 | 402,138 |
| Trade receivables | 22 | **65,826** | 79,562 | 78,172 |
| Tax recoverable | | **1,048** | 1,867 | – |
| Prepayments, deposits and other receivables | 23 | **94,275** | 66,269 | 38,670 |
| Due from the ultimate holding company | 24 | **–** | – | 1,137 |
| Due from a former intermediate holding company | 24 | **–** | – | 731 |
| Due from the former immediate holding company | 24 | **–** | – | 34,173 |
| Due from fellow subsidiaries | 25 | **1,911** | 1,529 | 1,287 |
| Pledged deposits | 26 | **7,373** | 1,069 | 395 |
| Cash and cash equivalents | 26 | **208,203** | 135,212 | 92,275 |
| | | **1,273,929** | 867,397 | 648,978 |
| Asset classified as held for sale | 27 | **–** | – | 22,677 |
| Total current assets | | **1,273,929** | 867,397 | 671,655 |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | 28 | **388,443** | 260,515 | 230,991 |
| Other payables and accruals | 29 | **199,023** | 121,906 | 85,659 |
| Defined benefit obligations | 30 | **89** | 41 | 52 |
| Deferred revenue | | **79,355** | 66,500 | 49,466 |
| Interest-bearing bank and other borrowings | 31 | **248,752** | 163,448 | 58,384 |
| Due to the former immediate holding company | 24 | **–** | – | 11 |
| Due to an associate | 18 | **2,899** | 2,262 | 2,328 |
| Due to fellow subsidiaries | 25 | **3,006** | 1,040 | 788 |
| Tax payable | | **56,002** | 43,139 | 28,058 |
| Total current liabilities | | **977,569** | 658,851 | 455,737 |
| **NET CURRENT ASSETS** | | **296,360** | 208,546 | 215,918 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,469,618** | 1,089,026 | 500,107 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 April 2011

| | Notes | 30 April 2011 HK$'000 | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | | |
| Defined benefit obligations | 30 | **1,633** | 1,353 | 985 |
| Interest-bearing bank and other borrowings | 31 | **11,229** | 2,591 | 35 |
| Loan from a shareholder | 33 | **12,230** | 11,840 | – |
| Irredeemable convertible unsecured loan securities | 34 | **302,891** | 391,831 | – |
| Deferred tax liabilities | 20 | **61,493** | 19,502 | 2,834 |
| Other payables | 29 | **286** | 275 | – |
| Total non-current liabilities | | **389,762** | 427,392 | 3,854 |
| **Net assets** | | **1,079,856** | 661,634 | 496,253 |
| **EQUITY** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Issued capital | 35(a) | **1,104,016** | 553,400 | 332,861 |
| Equity component of irredeemable convertible unsecured loan securities | 34 | **1,299,514** | 1,752,505 | – |
| Reserves | 37(a) | **(1,338,141)** | (1,656,442) | 125,478 |
| | | **1,065,389** | 649,463 | 458,339 |
| **Non-controlling interests** | | **14,467** | 12,171 | 37,914 |
| **Total equity** | | **1,079,856** | 661,634 | 496,253 |

**CHUAH CHOONG HEONG**
*Director*

**TAN YEONG SHEIK, RAYVIN**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2011

| | Attributable to owners of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Exchange fluctuation reserve HK$'000 | Capital reserve HK$'000 | Available-for-sale investment revaluation reserve HK$'000 | Asset revaluation reserve HK$'000 | Share option reserve HK$'000 | Reverse acquisition reserve HK$'000 | Equity component of irredeemable convertible unsecured loan securities HK$'000 | Reserve funds HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity 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 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 268,669 | 268,669 | 2,446 | 271,115 |
| Other comprehensive income for the year: | | | | | | | | | | | | | |
| Change in fair value of available-for-sale investments, net of tax | – | – | – | 4,917 | – | – | – | – | – | – | 4,917 | – | 4,917 |
| Revaluation of asset | – | – | – | – | 58,821 | – | – | – | – | – | 58,821 | – | 58,821 |
| Deferred tax on revaluation of asset | – | – | – | – | (20,000) | – | – | – | – | – | (20,000) | – | (20,000) |
| Exchange differences on translation of foreign operations | – | 42,391 | – | – | – | – | – | – | – | – | 42,391 | 612 | 43,003 |
| Total comprehensive income for the year | – | 42,391 | – | 4,917 | 38,821 | – | – | – | – | 268,669 | 354,798 | 3,058 | 357,856 |
| Conversion of irredeemable convertible unsecured loan securities (note 35) | 550,616 | – | – | – | – | – | – | (452,991) | – | 4,772 | 102,397 | – | 102,397 |
| Equity-settled share option arrangement (note 36) | – | – | – | – | – | 11,155 | – | – | – | – | 11,155 | 44 | 11,199 |
| Forfeiture of share options | – | – | – | – | – | (238) | – | – | – | 238 | – | – | – |
| Final 2010 dividend paid (note 12) | – | – | – | – | – | – | – | – | – | (52,424) | (52,424) | – | (52,424) |
| Dividends paid to non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | (806) | (806) |
| Appropriate to reserve funds | – | – | – | – | – | – | – | – | 50 | (50) | – | – | – |
| At 30 April 2011 | 1,104,016 | 67,779* | 2,984* | 2,375* | 38,821* | 10,917* | (2,058,762)* | 1,299,514 | 50* | 597,695* | 1,065,389 | 14,467 | 1,079,856 |

* These reserve accounts comprise the consolidated negative reserves of HK$1,338,141,000 (2010: HK$1,656,442,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2011

| | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Exchange fluctuation reserve HK$'000 | Capital reserve HK$'000 | Available-for-sale investment revaluation reserve HK$'000 | Reverse acquisition reserve HK$'000 | Equity component of irredeemable convertible unsecured loan securities HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 May 2009 | 332,861 | (42,240) | 2,984 | – | – | – | 164,734 | 458,339 | 37,914 | 496,253 |
| Profit for the year | – | – | – | – | – | – | 211,756 | 211,756 | 10,469 | 222,225 |
| Other comprehensive income for the year: | | | | | | | | | | |
| Change in fair value of available-for-sale investments, net of tax | – | – | – | (2,542) | – | – | – | (2,542) | – | (2,542) |
| Exchange differences on translation of foreign operations | – | 67,628 | – | – | – | – | – | 67,628 | 2,474 | 70,102 |
| Total comprehensive income for the year | – | 67,628 | – | (2,542) | – | – | 211,756 | 276,842 | 12,943 | 289,785 |
| Acquisition of subsidiaries (note 35) | 118,039 | – | – | – | (2,058,762) | – | – | (1,940,723) | 10,199 | (1,930,524) |
| Acquisition of non-controlling interests (note 35) | 6,500 | – | – | – | – | – | – | 6,500 | (48,154) | (41,654) |
| Issue of irredeemable convertible unsecured loan securities | – | – | – | – | – | 1,801,721 | – | 1,801,721 | – | 1,801,721 |
| Loan capitalisation (note 35) | 36,000 | – | – | – | – | – | – | 36,000 | – | 36,000 |
| Conversion of irredeemable convertible unsecured loan securities (note 35) | 60,000 | – | – | – | – | (49,216) | – | 10,784 | – | 10,784 |
| Dividends paid to non-controlling shareholders | – | – | – | – | – | – | – | – | (731) | (731) |
| At 30 April 2010 | 553,400 | 25,388* | 2,984* | (2,542)* | (2,058,762)* | 1,752,505 | 376,490* | 649,463 | 12,171 | 661,634 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 April 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | **3,543,376** | 2,532,523 |
| Cash paid to suppliers and employees | | **(2,208,836)** | (1,555,051) |
| Cash paid for other operating expenses | | **(1,043,019)** | (771,159) |
| Cash generated from operations | | **291,521** | 206,313 |
| Income tax paid | | **(66,486)** | (51,217) |
| Net cash flows from operating activities | | **225,035** | 155,096 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **458** | 1,155 |
| Purchases of items of property, plant and equipment | 14 | **(136,497)** | (126,243) |
| Proceeds from disposal of items of property, plant and equipment | | **4,235** | 1,044 |
| Proceeds from disposal of an asset held for sale | | **–** | 22,677 |
| Acquisition of subsidiaries | 38 | **(789)** | (147,493) |
| Acquisition of non-controlling interests | | **–** | (6,924) |
| Net cash flows used in investing activities | | **(132,593)** | (255,784) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | **(30,906)** | (4,695) |
| Dividend paid | | **(52,424)** | – |
| Dividends paid to non-controlling shareholders | | **(806)** | (731) |
| Decrease in an amount due from the ultimate holding company | | **–** | 1,276 |
| Decrease in an amount due from a former intermediate holding company | | **–** | 820 |
| Changes in balance with the former immediate holding company | | **–** | 38,327 |
| Changes in balances with fellow subsidiaries | | **1,620** | 71 |
| Increase/(decrease) in an amount due to an associate | | **471** | (350) |
| Increase in a loan from a shareholder | | **390** | 11,137 |
| New bank loans | | **240,985** | 96,809 |
| Repayment of bank loans | | **(133,308)** | (526) |
| Capital element of hire purchase rental payments | | **(123)** | (28) |
| Net cash flows from financing activities | | **25,899** | 142,110 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **118,341** | 41,422 |
| Effect on foreign exchange rate changes, net | | **(10,057)** | 7,888 |
| Cash and cash equivalents at beginning of year | | **107,292** | 57,982 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **215,576** | 107,292 |

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 26 | **198,401** | 127,446 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 26 | **9,802** | 7,766 |
| Cash and cash equivalents as stated in the statement of financial position | | **208,203** | 135,212 |
| Deposits with original maturity of less than three months when accepted, pledged as security for bank guarantees | 26 | **7,373** | 1,069 |
| Bank overdrafts | 31 | **–** | (28,989) |
| Cash and cash equivalents as stated in the statement of cash flows | | **215,576** | 107,292 |

# STATEMENT OF FINANCIAL POSITION

30 April 2011

| | Notes | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 14 | **378** | 255 | 292 |
| Investment properties | 15 | **91,110** | 68,852 | 49,392 |
| Investments in subsidiaries | 17 | **2,495,635** | 2,489,599 | – |
| Investment in an associate | 18 | **8,200** | 8,200 | 8,200 |
| Available-for-sale investments | 19 | **200** | 200 | 200 |
| Total non-current assets | | **2,595,523** | 2,567,106 | 58,084 |
| **CURRENT ASSETS** | | | | |
| Due from a subsidiary | 17 | **10,133** | – | – |
| Trade receivables | 22 | **5** | 29 | 9 |
| Prepayments, deposits and other receivables | 23 | **484** | 362 | 305 |
| Dividend receivable | | **–** | 70,303 | – |
| Cash and cash equivalents | 26 | **7,335** | 412 | 88 |
| Total current assets | | **17,957** | 71,106 | 402 |
| **CURRENT LIABILITIES** | | | | |
| Other payables and accruals | 29 | **2,468** | 3,260 | 630 |
| Due to a former related company | 25 | **–** | – | 118 |
| Due to subsidiaries | 17 | **1,265** | 4,786 | 1,288 |
| Interest-bearing bank borrowings | 31 | **6,165** | 6,345 | 6,525 |
| Tax payable | | **–** | 1,400 | – |
| Total current liabilities | | **9,898** | 15,791 | 8,561 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **8,059** | 55,315 | (8,159) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,603,582** | 2,622,421 | 49,925 |
| **NON-CURRENT LIABILITIES** | | | | |
| Other payables | 29 | **286** | 275 | 259 |
| Loan from a shareholder | 33 | **12,230** | 11,840 | 28,895 |
| Irredeemable convertible unsecured loan securities | 34 | **302,891** | 391,831 | – |
| Total non-current liabilities | | **315,407** | 403,946 | 29,154 |
| **Net assets** | | **2,288,175** | 2,218,475 | 20,771 |

# STATEMENT OF FINANCIAL POSITION

30 April 2011

| | Notes | 30 April 2011 HK$'000 | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **EQUITY** | | | | |
| Issued capital | 35(b) | **942,962** | 392,346 | 118,210 |
| Equity component of irredeemable convertible unsecured loan securities | 34 | **1,299,514** | 1,752,505 | – |
| Reserves | 37(b) | **45,699** | 73,624 | (97,439) |
| **Total equity** | | **2,288,175** | 2,218,475 | 20,771 |

**CHUAH CHOONG HEONG**
*Director*

**TAN YEONG SHEIK, RAYVIN**
*Director*

# NOTES TO FINANCIAL STATEMENTS

30 April 2011

## 1. Corporate information

Cosway Corporation Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Unit 1701, 17/F, Austin Plaza, 83 Austin Road, Jordan, Kowloon, Hong Kong.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") consisted of direct selling of household, personal care, healthcare and other consumer products and property investment. In the opinion of the directors, the ultimate holding company of the Company is Berjaya Corporation Berhad ("B Corp"), which is incorporated in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

## 2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale investments, which have been measured at fair value. Non-current asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell, as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

### Reverse acquisition

On 13 October 2009, the Company entered into agreements with Cosway Corporation Berhad ("CCB"), Biofield Sdn. Bhd. ("Biofield"), an indirect subsidiary of CCB, and Madison County LLC, an independent third party, (collectively the "Cosway M Vendors") for the acquisition of 83.89%, 6.11% and 10.00% equity interests, respectively, in Cosway (M) Sdn. Bhd. ("Cosway M") and its subsidiaries (collectively the "Cosway M Group"), at the consideration of Ringgit Malaysia ("RM") 1,000,000,000, equivalent to HK$2,230,399,000, in aggregate (the "Acquisition"). Cosway M Group is engaged in the direct sales of consumer products, property investment and investment holding. On the same date, the Company entered into another agreement with Prime Credit Leasing Sdn. Bhd., Berjaya Sompo Insurance Berhad, Inter-Pacific Securities Sdn. Bhd., Berjaya Hills Berhad, Tan Sri Dato' Seri Vincent Tan Chee Yioun and Rayvin Tan Yeong Sheik (collectively the "eCosway Vendors") for the acquisition from eCosway Vendors of an aggregate 40% equity interest in eCosway.com Sdn. Bhd. ("eCosway"), a 60%-owned subsidiary of Cosway M, at an aggregate consideration of RM107,584,000, equivalent to HK$239,700,000. eCosway is principally engaged in the direct selling business with online shopping portal.

The consideration for the Acquisition of RM1,000,000,000, equivalent to HK$2,230,399,000 was satisfied by (a) the issuance of 858,185,074 ordinary shares of the Company of HK$0.20 per share; (b) issuance of irredeemable convertible unsecured loan securities ("ICULS") with principal amount of HK$1,956,800,000 and (c) cash of RM44,700,000, equivalent to HK$101,962,000 upon completion.

The consideration for the acquisition of the 40% equity interests of eCosway was satisfied by (a) the issuance of 32,498,592 ordinary shares of the Company of HK$0.20 per share and (b) issuance of ICULS with principal amount of HK$233,200,000.

The above acquisitions of equity interests in Cosway M Group and eCosway were completed on 8 December 2009. Details of the acquisitions of Cosway M Group and eCosway are set out in the Company's circular dated 30 October 2009.

Under general accepted accounting principles in Hong Kong, the Acquisition constituted a reverse acquisition from an accounting perspective since CCB had become the controlling shareholder of the Company after the Acquisition. For accounting purposes, Cosway M is regarded as the acquirer while the Company and its subsidiaries before the Acquisition (collectively the "CCL Group") are deemed to have been acquired by Cosway M. As a result, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Cosway M Group which has a financial year end date of 30 April, and accordingly:

(i) the assets and liabilities of the Cosway M Group are recognised and measured in these consolidated financial statements at their historical carrying values prior to the Acquisition;

## 2.1 Basis of preparation *(continued)*

### Reverse acquisition *(continued)*

(ii) the retained profits and other reserve balances of Cosway M Group prior to the Acquisition are retained in the equity balances in these consolidated financial statements; and

(iii) the amount recognised as issued capital of the Group in these consolidated financial statements, which represents the share capital in the consolidated statement of financial position of the Group, is the sum of the issued share capital of Cosway M (the legal subsidiary after the Acquisition), Cosway M Group's deemed cost of acquisition of the CCL Group, and the subsequent issue of new shares of the Company upon completion of the Acquisition. However, the equity structure, being the number and type of shares issued, reflects the equity structure of the Company (the legal parent after the Acquisition) including the new shares issued in effecting the Acquisition.

### Basis of consolidation

**Basis of consolidation from 1 May 2010**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

**Basis of consolidation prior to 1 May 2010**

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 May 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 May 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 May 2010 has not been restated.

## 2.2 Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| 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* |
| HKFRS 5 Amendments 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* |
| Improvements to HKFRSs 2009 | Amendments to a number of HKFRSs issued in May 2009 |
| HK Interpretation 4 Amendment | Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* |
| HK Interpretation 5 | *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* |

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

### (a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 May 2010.

## 2.2 Changes in accounting policy and disclosures *(continued)*

**(b)** *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Malaysia, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Malaysia have been transferred to the Group, leases in Malaysia have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Consolidated income statement for the year ended 30 April: | | |
| Decrease in amortisation of prepaid land lease payments | **(194)** | (178) |
| Increase in depreciation of property, plant and equipment | **194** | 178 |
| | **–** | – |

| | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 | 1 May 2009 HK$'000 |
|---|---|---|---|
| Consolidated statement of financial position: | | | |
| Decrease in prepaid land lease payments, net | **(10,159)** | (9,618) | (8,747) |
| Increase in property, plant and equipment, net | **10,159** | 9,618 | 8,747 |

Due to the retrospective application of the amendments which has resulted in the restatement of items in the statement of financial position, a statement of financial position as at 1 May 2009, and the related notes affected by the amendments have been presented in these financial statements.

## 2.2 Changes in accounting policy and disclosures *(continued)*

### (c) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

Prior to the adoption of this interpretation, the Group's and the Company's term loans were classified in the consolidated statement of financial position and the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, a term loan has been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include a consolidated statement of financial position and a statement of financial position as at 1 May 2009.

Further details of the loans of the Group and the Company are disclosed in note 31 to the financial statements.

The above change has had no effect on the consolidated income statement. The effects on the Group's consolidated statement of financial position and the Company's statement of financial position are summarised as follows:

| | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 | 1 May 2009 HK$'000 |
|---|---|---|---|
| **Group** | | | |
| **Current liabilities** | | | |
| Increase in interest-bearing bank and other borrowings | **5,985** | 6,165 | – |
| **Non-current liabilities** | | | |
| Decrease in interest-bearing bank and other borrowings | **(5,985)** | (6,165) | – |
| **Company** | | | |
| **Current liabilities** | | | |
| Increase in interest-bearing bank borrowings | **5,985** | 6,165 | 6,345 |
| **Non-current liabilities** | | | |
| Decrease in interest-bearing bank borrowings | **(5,985)** | (6,165) | (6,345) |

There was no impact on the net assets of the Group and the Company.

## 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 1 Amendment | Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1] |
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3] |
| HKFRS 9 | *Financial Instruments* [5] |
| HKFRS 10 | *Consolidated Financial Statements* [5] |
| HKFRS 11 | *Joint Arrangements* [5] |
| HKFRS 12 | *Disclosure of Interests in Other Entities* [5] |
| HKFRS 13 | *Fair Value Measurement* [5] |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets* [4] |
| HKAS 24 (Revised) | *Related Party Disclosures* [2] |
| HKAS 27 (2011) | *Separate Financial Statements* [5] |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* [5] |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2] |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments* [1] |

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 July 2011

4 Effective for annual periods beginning on or after 1 January 2012

5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9, HKFRS 10, HKFRS 12, HKFRS 13, HKAS 12 Amendments, HKAS 27 (2011) and HKAS 28 (2011), these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 Summary of significant accounting policies

### Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

# NOTES TO FINANCIAL STATEMENTS

30 April 2011

## 2.4 Summary of significant accounting policies *(continued)*

### Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of the associate are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

### Business combinations and goodwill

**Business combinations from 1 May 2010**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 April. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## 2.4 Summary of significant accounting policies *(continued)*

### Business combinations and goodwill *(continued)*

**Business combinations from 1 May 2010** *(continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Business combinations prior to 1 May 2010 but after 1 May 2005**

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 May 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and asset classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

## 2.4 Summary of significant accounting policies *(continued)*

### Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

If a property occupied by the Group as an owner-occupied property becomes an investment property, at the date of change in use, a valuation is performed. Any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Freehold land | Not depreciated |
| Leasehold land under finance leases | Over the lease terms |
| Buildings | Over the shorter of the lease terms of leasehold land and 2% |
| Plant and machinery | 25% |
| Office and computer equipment | 20% to 33% |
| Furniture and fittings | 10% to 20% |
| Renovation works | Over the shorter of the lease terms and 20% to 33% |
| Motor vehicles | 20% |

## 2.4 Summary of significant accounting policies *(continued)*

### Property, plant and equipment and depreciation *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

### Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

## 2.4 Summary of significant accounting policies *(continued)*

**Leases** *(continued)*

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

### Investments and other financial assets

**Initial recognition and measurement**

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and other receivables, deposits, amounts due from group companies, and available-for-sale investments.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

**Available-for-sale financial investments**

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment revaluation reserve.

## 2.4 Summary of significant accounting policies *(continued)*

### Investments and other financial assets *(continued)*

**Available-for-sale financial investments** *(continued)*

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2.4 Summary of significant accounting policies *(continued)*

### Impairment of financial assets *(continued)*

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

**Assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**Available-for-sale financial investments**

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increase in their fair values after impairment are recognised directly in other comprehensive income.

## 2.4 Summary of significant accounting policies *(continued)*

### Financial liabilities

**Initial recognition and measurement**
Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, a loan from a shareholder, amounts due to group companies and associates, ICULS and interest-bearing bank and other borrowings.

**Subsequent measurement**
The measurement of financial liabilities depends on their classification as follows:

**Loans and borrowings**
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

**Financial guarantee contracts**
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

**Irredeemable convertible unsecured loan securities**
The component of ICULS that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of ICULS, the fair value of the liability component is the present value of the future interest payments to the ICULS holders. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the ICULS based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

## 2.4 Summary of significant accounting policies *(continued)*

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 Summary of significant accounting policies *(continued)*

### Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services have been rendered;

(c) membership fee income, for the entrance fee, when no significant uncertainty as to its collectability exists;

(d) membership fee income, for the membership benefits, on a time proportion basis over the membership period;

(e) rental income, on a time proportion basis over the lease terms; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

## 2.4 Summary of significant accounting policies *(continued)*

### Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

### Other employee benefits

#### Defined contribution plans

Defined contribution plans include post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred.

As required by law, companies in Malaysia make such contributions to the Employees Provident Fund. Some of the Group's foreign subsidiaries and branches also make contributions to their respective countries' statutory pension schemes.

## 2.4 Summary of significant accounting policies *(continued)*

### Other employee benefits *(continued)*

**Defined contribution plans** *(continued)*

The Company and the Group's subsidiaries which operate in Hong Kong operate defined contribution Mandatory Provident Fund retirement benefit schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for all of their employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes.

The employees of the Group's Taiwan branch (the "Taiwan Branch") participate in a central pension scheme (the "Taiwan Scheme") operated by the local government. The Taiwan Branch is required to contribute a specific amount and deposit these amounts into individual pension accounts at the Bureau of Labour Insurance, pursuant to the local pension regulations in Taiwan. The contributions are charged to the income statement, as they become payable in accordance with the rules of the Taiwan Scheme.

**Defined benefit plans**

The Group's net obligations in respect of defined benefit plans for certain subsidiaries are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the end of the reporting period on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the projected unit credit method.

Past service cost is recognised in the income statement to the extent that the benefits are already vested. When the benefits of a plan have improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing of funds.

### Dividends

Final dividend distribution to the shareholders of the Company is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Company.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 Summary of significant accounting policies *(continued)*

### Customer loyalty programme

The Group operates a customer loyalty programme which allows customers to accumulate redemption coupons when they purchase products from the Group. The redemption coupons can then be used to purchase a selection of products at discounted price or redeem products free.

The consideration received is allocated between the products sold and the redemption coupons issued, with the consideration allocated to the redemption coupons being equal to their fair value. Fair value is determined by applying statistical techniques.

The fair value of the redemption coupons issued is deferred and recognised as revenue when the redemption coupons are redeemed.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

## 3. Significant accounting judgements and estimates *(continued)*

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**Operating lease commitments – Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

**Classification between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. Where the Group uses only an insignificant portion of a property, the whole property is an investment property stated at fair value. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Estimation of fair value of investment properties**

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 30 April 2011 was HK$351,646,000 (2010: HK$264,519,000). Further details are contained in note 15 to the financial statements.

**Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 30 April 2011 was HK$4,326,000 (2010: HK$669,000). The amount of unrecognised tax losses at 30 April 2011 was HK$149,650,000 (2010: HK$79,353,000). Further details are contained in note 20 to the financial statements.

## 3. Significant accounting judgements and estimates *(continued)*

### Estimation uncertainty *(continued)*

**Estimation of useful lives of items of property, plant and equipment**
Management estimates the useful lives of items of property, plant and equipment when acquired based on the period over which the items of property, plant and equipment are expected to be available for use to the Group. The useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of the reporting period. The carrying value of property, plant and equipment at 30 April 2011 was HK$388,961,000 (2010 (restated): HK$235,007,000). Further details are included in note 14 to the financial statements.

**Impairment test of items of property, plant and equipment**
Management estimates the recoverable amount of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

**Impairment of goodwill**
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 April 2011 was HK$328,363,000 (2010: HK$317,395,000). Further details are included in note 16 to the financial statements.

**Customer loyalty programmes**
The Group operates a customer loyalty programme which allows customers to accumulate redemption coupons when they purchase products from the Group. Management estimates the fair value of the redemption coupons issued and such fair value is reviewed regularly, and adjusted if appropriate.

## 4. 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 the Group's 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.

Segment assets exclude investments in associates, available-for-sale investments, goodwill, deferred tax assets, tax recoverable and certain other receivables as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, ICULS, loan from a shareholder, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

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.

## 4. Operating segment information *(continued)*

| Year ended 30 April | Direct selling/Retailing 2011 HK$'000 | Direct selling/Retailing 2010 HK$'000 | Property investment 2011 HK$'000 | Property investment 2010 HK$'000 | Total 2011 HK$'000 | Total 2010 HK$'000 |
|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | |
| Sales to external customers | **3,356,225** | 2,318,137 | **12,258** | 11,141 | **3,368,483** | 2,329,278 |
| Intersegment sales | **–** | – | **6,445** | 3,670 | **6,445** | 3,670 |
| | **3,356,225** | 2,318,137 | **18,703** | 14,811 | **3,374,928** | 2,332,948 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment sales | | | | | **(6,445)** | (3,670) |
| Revenue | | | | | **3,368,483** | 2,329,278 |
| **Segment results** | **318,063** | 277,515 | **65,971** | 9,087 | **384,034** | 286,602 |
| *Reconciliation:* | | | | | | |
| Interest income | | | | | **458** | 1,155 |
| Unallocated gains | | | | | **11,972** | 14,011 |
| Finance costs | | | | | **(44,363)** | (19,031) |
| Share of profits and losses of associates | | | | | **623** | 373 |
| Profit before tax | | | | | **352,724** | 283,110 |

| | Direct selling/Retailing 2011 HK$'000 | Direct selling/Retailing 2010 HK$'000 (Restated) | Property investment 2011 HK$'000 | Property investment 2010 HK$'000 | Total 2011 HK$'000 | Total 2010 HK$'000 (Restated) |
|---|---|---|---|---|---|---|
| **Segment assets** | **1,729,946** | 1,130,356 | **347,416** | 273,095 | **2,077,362** | 1,403,451 |
| *Reconciliation:* | | | | | | |
| Investments in associates | | | | | **16,660** | 10,392 |
| Corporate and unallocated assets | | | | | **353,165** | 334,034 |
| Total assets | | | | | **2,447,187** | 1,747,877 |
| **Segment liabilities** | **666,496** | 445,622 | **8,238** | 8,270 | **674,734** | 453,892 |
| *Reconciliation:* | | | | | | |
| Corporate and unallocated liabilities | | | | | **692,597** | 632,351 |
| Total liabilities | | | | | **1,367,331** | 1,086,243 |
| **Other segment information:** | | | | | | |
| Depreciation | **59,411** | 31,687 | **153** | 132 | **59,564** | 31,819 |
| Capital expenditure* | **146,020** | 126,255 | **229** | 126,434 | **146,249** | 252,689 |
| Reversal of impairment of other receivables | **–** | (3,956) | **–** | – | **–** | (3,956) |
| Change in fair value of investment properties | **–** | – | **(65,972)** | (9,010) | **(65,972)** | (9,010) |

* Capital expenditure consists of additions to property, plant and equipment and investment properties, including assets from the acquisition of subsidiaries.

## 4. Operating segment information *(continued)*

### Geographical information

**(a) Revenue from external customers**

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Malaysia, Singapore and Brunei | **1,666,538** | 1,268,329 |
| Hong Kong, Macau and Taiwan | **1,368,997** | 903,241 |
| Other countries | **332,948** | 157,708 |
| | **3,368,483** | 2,329,278 |

The revenue information above is based on the location of the customers.

**(b) Non-current assets**

| | **2011 HK$'000** | 2010 HK$'000 (Restated) |
|---|---|---|
| Malaysia, Singapore and Brunei | **754,552** | 668,934 |
| Hong Kong, Macau and Taiwan | **156,028** | 118,768 |
| Other countries | **239,739** | 84,778 |
| | **1,150,319** | 872,480 |

The non-current asset information above is based on the location of assets and excludes available-for-sale investments and deferred tax assets.

## 5. 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 year.

An analysis of revenue and other income is as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Sale of goods | **3,256,568** | 2,277,442 |
| Membership fee income | **99,657** | 40,695 |
| Gross rental income | **12,258** | 11,141 |
| | **3,368,483** | 2,329,278 |
| **Other income** | | |
| Interest income | **458** | 1,155 |
| Others | **11,972** | 14,011 |
| | **12,430** | 15,166 |

## 6. Finance costs

An analysis of finance costs is as follows:

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Interest on bank loans, overdrafts and other loans wholly repayable within five years | **11,946** | 4,695 |
| Interest on ICULS | **32,417** | 14,336 |
| | **44,363** | 19,031 |

## 7. Profit before tax

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

| | Notes | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|---|
| Cost of inventories sold | | **1,344,569** | 1,010,030 |
| Auditors' remuneration | | **2,713** | 2,075 |
| Depreciation | 14 | **59,564** | 31,819 |
| Minimum lease payments under operating leases on: | | | |
| Land and buildings | | **104,698** | 67,084 |
| Contingent rents of retail shops | | **420** | 196 |
| Plant and machinery | | **50** | 419 |
| | | **105,168** | 67,699 |
| Employee benefit expenses (including directors' remuneration (note 8)): | | | |
| Wages, salaries, allowances and benefits in kind | | **211,370** | 144,187 |
| Equity-settled share option expenses | | **11,199** | – |
| Defined contribution scheme | | **12,170** | 8,790 |
| Defined benefit scheme | 30 | **284** | 216 |
| Pension scheme contributions | | **12,454** | 9,006 |
| | | **235,023** | 153,193 |
| Gross rental income on investment properties | | **(12,258)** | (11,141) |
| Less: Outgoing expenses | | **6,584** | 5,750 |
| Net rental income | | **(5,674)** | (5,391) |
| Loss on disposal of items of property, plant and equipment | | **5,134** | 105 |
| Impairment of trade receivables, net | 22 | **3,997** | 2,539 |
| Reversal of impairment of other receivables | 23 | **–** | (3,956) |
| Change in fair value of investment properties | 15 | **(65,972)** | (9,010) |
| Write-down/(written back) of inventories to net realisable value | | **(9,492)** | 6,005 |
| Withholding tax on royalty income | | **4,725** | 2,999 |
| Foreign exchange differences, net | | **11,773** | 8,618 |

## 8. Directors' remuneration

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

| | Group | |
|---|---|---|
| | **2011** **HK$'000** | 2010 HK$'000 |
| Fees | **600** | 922 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **9,204** | 1,143 |
| Discretionary performance related bonuses* | **4,553** | 371 |
| Equity-settled share option expenses | **5,163** | – |
| Pension scheme contributions | **1,449** | 144 |
| | **20,369** | 1,658 |
| | **20,969** | 2,580 |

* Certain executive directors of the Company are entitled to bonus payments which are determined based on their performance during the year.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | Notes | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| Leou Thiam Lai | | **200** | 80 |
| Deng Xiao Lan, Rose | | **200** | – |
| Massimo Guglielmucci | (i) | **38** | – |
| Wong Ying Wai, Wilfred | (ii) | **162** | – |
| Dato' Lee Ah Hoe | (iii) | **–** | 80 |
| Tan Tee Yong | (iii) | **–** | 80 |
| | | **600** | 240 |

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

Notes:

(i) Massimo Guglielmucci was appointed as an independent non-executive director of the Company on 4 March 2011.

(ii) Wong Ying Wai, Wilfred, was appointed as an independent non-executive director of the Company on 17 March 2010 and resigned as an independent non-executive director of the Company on 4 March 2011.

(iii) Dato' Lee Ah Hoe and Tan Tee Yong resigned as independent non-executive directors of the Company on 17 March 2010 and 9 April 2010, respectively.

## 8. Directors' remuneration *(continued)*

### (b) Executive directors and non-executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary performance related bonuses HK$'000 | Equity-settled share option expenses HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Executive directors: | | | | | | |
| Chuah Choong Heong | – | 7,279 | 4,478 | 4,766 | 1,403 | 17,926 |
| Tan Yeong Sheik, Rayvin | – | 1,440 | – | 318 | 12 | 1,770 |
| | – | 8,719 | 4,478 | 5,084 | 1,415 | 19,696 |
| Non-executive directors: | | | | | | |
| Chan Kien Sing | – | – | – | – | – | – |
| Tan Thiam Chai | – | – | – | – | – | – |
| Tan Ee Ling | – | 485 | 75 | 79 | 34 | 673 |
| | – | 485 | 75 | 79 | 34 | 673 |
| | – | 9,204 | 4,553 | 5,163 | 1,449 | 20,369 |

| | Notes | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary performance related bonuses HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| 2010 | | | | | | |
| Executive directors: | | | | | | |
| Chuah Choong Heong | (i) | – | 850 | – | 102 | 952 |
| Tan Yeong Sheik, Rayvin | | 580 | 5 | 300 | 12 | 897 |
| Cheng Chi Fan, Vivienne | (ii) | – | – | – | – | – |
| Chin Chee Seng, Derek | (ii) | – | – | – | – | – |
| Wong Man Hong | (ii) | 102 | – | – | 1 | 103 |
| | | 682 | 855 | 300 | 115 | 1,952 |
| Non-executive directors: | | | | | | |
| Chan Kien Sing | (iii) | – | – | – | – | – |
| Tan Thiam Chai | (iii) | – | – | – | – | – |
| Tan Ee Ling | (iii) | – | 288 | 71 | 29 | 388 |
| | | – | 288 | 71 | 29 | 388 |
| | | 682 | 1,143 | 371 | 144 | 2,340 |

## 8. Directors' remuneration *(continued)*

### (b) Executive directors and non-executive directors *(continued)*

Notes:

(i) Chuah Choong Heong was appointed as the Chairman and the Chief Executive Officer of the Company on 17 March 2010.

(ii) Cheng Chi Fan, Vivienne, Chin Chee Seng, Derek and Wong Man Hong resigned as executive directors of the Company on 17 March 2010.

(iii) Chan Kien Sing, Tan Thiam Chai and Tan Ee Ling were re-designated from executive directors to non-executive directors of the Company on 17 March 2010.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

## 9. Five highest paid employees

The five highest paid employees during the year included two (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2010: three) non-director, highest paid employees for the year are as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **3,102** | 2,462 |
| Discretionary performance related bonuses | **805** | 437 |
| Equity-settled share option expenses | **477** | – |
| Pension scheme contributions | **468** | 202 |
| | **4,852** | 3,101 |

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | **2011** | 2010 |
| Nil to HK$1,000,000 | **–** | 1 |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| HK$2,000,001 to HK$2,500,000 | **1** | – |
| | **3** | 3 |

During the year, share options were granted to three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

## 10. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | **20,280** | 11,770 |
| Overprovision in prior years | **–** | (25) |
| Current – Malaysia | | |
| Charge for the year | **47,294** | 38,391 |
| Underprovision/(overprovision) in prior years | **(241)** | 1,208 |
| Current – Elsewhere | | |
| Charge for the year | **8,650** | 7,455 |
| Underprovision/(overprovision) in prior years | **(259)** | 86 |
| Deferred (note 20) | **5,885** | 2,000 |
| Total tax charge for the year | **81,609** | 60,885 |

A subsidiary of the Group, eCosway, has obtained approval from the Multimedia Development Corporation ("MDeC") as a Multimedia Super Corridor ("MSC") company and has been granted Pioneer Status with full income tax exemption under the Promotion of Investments Act, 1986 in Malaysia for an extended period of 5 years commencing 4 October 2007.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries or jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | **Group** | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Profit before tax | **352,724** | 283,110 |
| Taxation at Hong Kong statutory tax rate of 16.5% (2010: 16.5%) | **58,199** | 46,713 |
| Different tax rates in other countries | **18,863** | 10,656 |
| Income not subject to tax | **(4,527)** | 6,743 |
| Expenses not deductible for tax | **19,512** | 7,740 |
| Tax exempt under MSC status | **(23,964)** | (12,233) |
| Tax losses not recognised | **14,361** | 249 |
| Adjustments in respect of current tax of previous periods | **(500)** | 1,269 |
| Others | **(335)** | (252) |
| Tax charge at the Group's effective rate of 23.1% (2010: 21.5%) | **81,609** | 60,885 |

The share of tax attributable to an associate amounting to HK$22,000 (2010: HK$129,000) is included in "share of profits and losses of associates" on the face of the consolidated income statement.

## 11. Profit attributable to owners of the parent

Of the Group's profit attributable to owners of the parent of HK$268,669,000 (2010: HK$211,756,000), a profit of HK$8,528,000 (2010: HK$157,541,000) has been dealt with in the financial statements of the Company (note 37(b)).

## 12. Dividends

The directors do not recommend the payment of any dividend for the year ended 30 April 2011.

At a meeting held on 19 August 2010, the directors proposed a final dividend of HK1.5 cents per ordinary share for the year ended 30 April 2010, which was estimated to be HK$29,426,000 at the time calculated on the basis of the ordinary shares in issue as at 30 April 2010. The final dividend was approved by shareholders at the annual general meeting on 30 September 2010. As a result of shares issued upon conversion of ICULS during the period between 1 May 2010 and 30 September 2010, the final dividend paid in respect of the year ended 30 April 2010 totalled HK$52,424,000.

## 13. Earnings per share attributable to ordinary equity holders of the parent

The calculations of basic and diluted earnings per share are based on the following data:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations | **268,669** | 211,756 |

| | **2011 Number of shares (in thousand)** | 2010 Number of shares (in thousand) |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments) for the purpose of calculating the basic and diluted earnings per share | **12,611,732** | 5,495,200 |

No adjustment has been made to the basic earnings per share amount presented for the year ended 30 April 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented. There was no share option outstanding during the year ended 30 April 2010.

## 14. Property, plant and equipment

**Group**

| | Freehold land HK$'000 | Leasehold land under finance leases HK$'000 | Buildings HK$'000 | Plant and machinery HK$'000 | Office and computer equipment HK$'000 | Furniture and fittings HK$'000 | Renovation works HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **30 April 2011** | | | | | | | | | |
| At 30 April 2010 and 1 May 2010: | | | | | | | | | |
| Cost | 36,047 | 13,071 | 41,161 | 5,935 | 98,529 | 14,792 | 165,796 | 34,065 | 409,396 |
| Accumulated depreciation and impairment | (5,814) | (3,453) | (13,366) | (4,821) | (55,892) | (9,378) | (70,536) | (11,129) | (174,389) |
| Net carrying amount (restated) | 30,233 | 9,618 | 27,795 | 1,114 | 42,637 | 5,414 | 95,260 | 22,936 | 235,007 |
| At 1 May 2010, net of accumulated depreciation and impairment (restated) | 30,233 | 9,618 | 27,795 | 1,114 | 42,637 | 5,414 | 95,260 | 22,936 | 235,007 |
| Additions | - | - | - | 318 | 38,529 | 4,481 | 81,266 | 11,903 | 136,497 |
| Acquisition of subsidiaries (note 38) | - | - | - | 1,555 | 587 | 6,227 | 311 | 1,072 | 9,752 |
| Transfer from investment properties (note 15) | 77,854 | - | - | - | - | - | - | - | 77,854 |
| Surplus on revaluation | 55,669 | - | 3,152 | - | - | - | - | - | 58,821 |
| Transfer to investment properties (note 15) | (71,139) | - | (11,487) | - | - | - | - | - | (82,626) |
| Disposals | (653) | - | (766) | - | (2,748) | (18) | (3,591) | (1,843) | (9,619) |
| Depreciation provided during the year | - | (194) | (786) | (415) | (16,017) | (2,027) | (35,144) | (4,981) | (59,564) |
| Exchange realignment | 5,925 | 735 | 1,967 | 154 | 4,293 | (197) | 8,019 | 1,943 | 22,839 |
| At 30 April 2011, net of accumulated depreciation and impairment | 97,889 | 10,159 | 19,875 | 2,726 | 67,281 | 13,880 | 146,121 | 31,030 | 388,961 |
| At 30 April 2011: | | | | | | | | | |
| Cost | 99,075 | 14,260 | 29,070 | 10,995 | 143,291 | 29,625 | 257,987 | 44,389 | 628,692 |
| Accumulated depreciation and impairment | (1,186) | (4,101) | (9,195) | (8,269) | (76,010) | (15,745) | (111,866) | (13,359) | (239,731) |
| Net carrying amount | 97,889 | 10,159 | 19,875 | 2,726 | 67,281 | 13,880 | 146,121 | 31,030 | 388,961 |

## NOTES TO FINANCIAL STATEMENTS

30 April 2011

## 14. Property, plant and equipment *(continued)*

**Group** *(continued)*

| | Freehold land HK$'000 | Leasehold land under finance leases HK$'000 (Restated) | Buildings HK$'000 | Plant and machinery HK$'000 | Office and computer equipment HK$'000 | Furniture and fittings HK$'000 | Renovation works HK$'000 | Motor vehicles HK$'000 | Total HK$'000 (Restated) |
|---|---|---|---|---|---|---|---|---|---|
| **30 April 2010** | | | | | | | | | |
| At 1 May 2009: | | | | | | | | | |
| Cost | 27,572 | 11,652 | 34,423 | 5,071 | 59,480 | 11,542 | 78,059 | 24,107 | 251,906 |
| Accumulated depreciation and impairment | (5,182) | (2,905) | (10,783) | (3,850) | (41,538) | (7,250) | (45,231) | (6,920) | (123,659) |
| Net carrying amount | 22,390 | 8,747 | 23,640 | 1,221 | 17,942 | 4,292 | 32,828 | 17,187 | 128,247 |
| At 1 May 2009, net of accumulated depreciation and impairment | 22,390 | 8,747 | 23,640 | 1,221 | 17,942 | 4,292 | 32,828 | 17,187 | 128,247 |
| Additions | 3,752 | - | 1,307 | 131 | 32,473 | 1,955 | 79,419 | 7,206 | 126,243 |
| Acquisition of subsidiaries (note 38) | - | - | - | - | 144 | - | 151 | - | 295 |
| Disposals | - | - | - | - | (487) | (17) | (129) | (516) | (1,149) |
| Depreciation provided during the year | - | (178) | (791) | (358) | (8,596) | (994) | (18,186) | (2,716) | (31,819) |
| Exchange realignment | 4,091 | 1,049 | 3,639 | 120 | 1,161 | 178 | 1,177 | 1,775 | 13,190 |
| At 30 April 2010, net of accumulated depreciation and impairment | 30,233 | 9,618 | 27,795 | 1,114 | 42,637 | 5,414 | 95,260 | 22,936 | 235,007 |
| At 30 April 2010: | | | | | | | | | |
| Cost | 36,047 | 13,071 | 41,161 | 5,935 | 98,529 | 14,792 | 165,796 | 34,065 | 409,396 |
| Accumulated depreciation and impairment | (5,814) | (3,453) | (13,366) | (4,821) | (55,892) | (9,378) | (70,536) | (11,129) | (174,389) |
| Net carrying amount | 30,233 | 9,618 | 27,795 | 1,114 | 42,637 | 5,414 | 95,260 | 22,936 | 235,007 |

## 14. Property, plant and equipment *(continued)*

**Company**

| | Renovation works HK$'000 | Furniture and fittings HK$'000 | Total HK$'000 |
|---|---|---|---|
| **30 April 2011** | | | |
| At 30 April 2010 and at 1 May 2010: | | | |
| Cost | 178 | 391 | 569 |
| Accumulated depreciation | (42) | (272) | (314) |
| Net carrying amount | 136 | 119 | 255 |
| At 1 May 2010, net of accumulated depreciation | 136 | 119 | 255 |
| Additions | 202 | 4 | 206 |
| Depreciation provided during the year | (41) | (20) | (61) |
| Disposals | – | (22) | (22) |
| At 30 April 2011, net of accumulated depreciation | 297 | 81 | 378 |
| At 30 April 2011: | | | |
| Cost | 380 | 192 | 572 |
| Accumulated depreciation | (83) | (111) | (194) |
| Net carrying amount | 297 | 81 | 378 |

| | Renovation works HK$'000 | Furniture and fittings HK$'000 | Total HK$'000 |
|---|---|---|---|
| **30 April 2010** | | | |
| At 1 May 2009: | | | |
| Cost | 178 | 373 | 551 |
| Accumulated depreciation | (9) | (250) | (259) |
| Net carrying amount | 169 | 123 | 292 |
| At 1 May 2009, net of accumulated depreciation | 169 | 123 | 292 |
| Additions | – | 18 | 18 |
| Depreciation provided during the year | (33) | (22) | (55) |
| At 30 April 2010, net of accumulated depreciation | 136 | 119 | 255 |
| At 30 April 2010: | | | |
| Cost | 178 | 391 | 569 |
| Accumulated depreciation | (42) | (272) | (314) |
| Net carrying amount | 136 | 119 | 255 |

## 14. Property, plant and equipment *(continued)*

The net carrying amount of the Group's property, plant and equipment held under hire purchase contracts included in the total amount of plant and machinery at 30 April 2011 amounted to HK$551,000 (2010: HK$39,000).

At 30 April 2011, certain of the Group's land and buildings with a net carrying amount of approximately HK$96,911,000 (2010: HK$14,293,000) were pledged to secure general banking facilities granted to the Group (note 31(b)(ii)).

The Group's lands included in property, plant and equipment are situated in Malaysia, Taiwan and Brazil and are held under the following lease terms:

**Group**

| | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) |
|---|---|---|---|
| Malaysia | | | |
| Freehold | **90,230** | 8,321 | 7,417 |
| Long term leases | **10,159** | 9,618 | 8,747 |
| Taiwan | | | |
| Freehold | **7,659** | 7,102 | 3,127 |
| Brazil | | | |
| Freehold | **–** | 14,810 | 11,846 |
| | **108,048** | 39,851 | 31,137 |

During the year, certain land and buildings of the Group were transferred to investment properties since the date of change in use. Such land and buildings were revalued at the date of change in use by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, at an aggregate open market value of HK$82,626,000 based on their existing use. A revaluation surplus of HK$58,821,000 resulting from the above valuation has been credited to equity. The respective deferred tax resulting from the surplus on revaluation has been charged to equity.

## 15. Investment properties

| | Group 2011 HK$'000 | Group 2010 HK$'000 |
|---|---|---|
| Carrying amount at beginning of year | **264,519** | 114,990 |
| Additions from acquisition of subsidiaries (notes 38(c) and (d)) | **–** | 126,151 |
| Transfer from property, plant and equipment (note 14) | **82,626** | – |
| Transfer to property, plant and equipment (note 14) | **(77,854)** | – |
| Net profit from a fair value adjustment | **65,972** | 9,010 |
| Exchange realignment | **16,383** | 14,368 |
| Carrying amount at end of year | **351,646** | 264,519 |

| | Company 2011 HK$'000 | Company 2010 HK$'000 |
|---|---|---|
| Carrying amount at beginning of year | **68,852** | 49,392 |
| Net profit from a fair value adjustment | **22,258** | 19,460 |
| Carrying amount at end of year | **91,110** | 68,852 |

Analysis by type and location:

| | Group 2011 HK$'000 | Group 2010 HK$'000 |
|---|---|---|
| Malaysia | | |
| Freehold | **156,268** | 194,525 |
| Taiwan | | |
| Freehold | **910** | 1,142 |
| Hong Kong | | |
| Long term leases | **79,650** | 60,083 |
| Medium term leases | **10,400** | 7,800 |
| Mainland China | | |
| Long term leases | **1,060** | 969 |
| Brazil | | |
| Freehold | **103,358** | – |
| | **351,646** | 264,519 |

## 15. Investment properties *(continued)*

Analysis by type and location: *(continued)*

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Hong Kong | | |
| Long term leases | **79,650** | 60,083 |
| Medium term leases | **10,400** | 7,800 |
| Mainland China | | |
| Long term leases | **1,060** | 969 |
| | **91,110** | 68,852 |

The Group's investment properties situated in Malaysia were revalued on 30 April 2011 by Jordan Lee & Jaafar Sdn. Bhd., independent professionally qualified valuers, at HK$156,268,000 on an open market, existing use basis.

The Group's investment properties situated in Taiwan were revalued on 30 April 2011 by China Prudence Real Estate Appraisers Firm, independent professionally qualified valuers, at HK$910,000 on an open market, existing use basis.

The Group's and the Company's investment properties situated in Hong Kong and Mainland China were revalued on 30 April 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$91,110,000 on an open market, existing use basis.

The Group's investment properties situated in Brazil were revalued on 30 April 2011 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, at HK$103,358,000 on an open market, existing use basis.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41 to the financial statements.

At 30 April 2011, the Group's and the Company's investment properties with values of HK$231,284,000 (2010: HK$195,484,000) and HK$86,700,000 (2010: HK$65,233,000), respectively, were pledged to secure general banking facilities granted to the Group and the Company (note 31(b)(i)).

Further particulars of the Group's investment properties are included on pages 127 to 128.

## 16. Goodwill

**Group**

| | HK$'000 |
|---|---|
| Cost and net carrying amount at 1 May 2009 | 9,741 |
| Acquisition of subsidiaries (notes 38(c) and (d)) | 106,934 |
| Acquisition of non-controlling interests | 199,532 |
| Exchange realignment | 1,188 |
| Cost and net carrying amount at 30 April 2010 and 1 May 2010 | 317,395 |
| Acquisition of a subsidiary (note 38(b)) | 9,579 |
| Exchange realignment | 1,389 |
| Cost and net carrying amount at 30 April 2011 | 328,363 |

## 16. Goodwill *(continued)*

### Impairment testing of goodwill

Goodwill acquired through business combinations amounting to HK$328,363,000 has been allocated to the direct selling/retailing cash-generating unit for impairment testing.

The recoverable amount of the direct selling/retailing cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections are discounted using the weighted average costs of capital of 14% to 22%.

**(a) Key assumptions used in value-in-use calculation**

The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill:

*(i) Budgeted gross margin*

The budgeted gross margins of 25% to 40% used are based on the average gross margins achieved in the year immediately before the budget year and increased for expected efficiency improvements.

*(ii) Growth rate*

The weighted average growth rate used to extrapolate the cash flows beyond the five-year period is 2% which is consistent with the long-term average growth rate for the industry.

*(iii) Discount rate*

The discount rates of 14% to 22% used are pre-tax and reflect specific risks relating to the industry.

**(b) Sensitivity to changes in assumptions**

The management believes that changes in any of the above key assumptions would not cause the carrying value of the unit to materially differ from its recoverable amount.

## 17. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
| Unlisted shares, at cost | **2,497,740** | 2,491,704 |
| Impairment# | **(2,105)** | (2,105) |
| | **2,495,635** | 2,489,599 |
| Due from subsidiaries | **16,702** | 6,569 |
| Impairment# | **(6,569)** | (6,569) |
| | **10,133** | – |
| Due to subsidiaries | **(1,265)** | (4,786) |
| | **2,504,503** | 2,484,813 |

# An impairment was recognised for certain investments in subsidiaries and amounts due from subsidiaries because these subsidiaries of the Company have been making losses.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities, respectively, are unsecured, interest-free and repayable on demand.

## 17. Investments in subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and operations | Nominal value of issued/ registered share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Cosway M | Malaysia | RM155,000,000 | 100 | – | Direct selling of consumer, household and skin care products |
| eCosway.com Sdn. Bhd. | Malaysia | RM5,000,000 | 40 | 60 | Internet-based direct selling of consumer products |
| Cosway (HK) Limited | Hong Kong | HK$2,000,002 | – | 100 | Direct selling of consumer, household and skin care products |
| eCosway Korea Inc.* | Korea | Korean Won ("KRW") 3,155,000,000 | – | 100 | Direct selling of consumer, household and skin care products |
| Stephens Properties Sdn. Bhd. | Malaysia | RM18,280,000 | – | 100 | Investment holding and property investment |
| Golden Works (M) Sdn. Bhd. | Malaysia | RM1,000,000 | – | 100 | Property investment |
| Cosway (Cayman) Limited | Cayman Islands | U$3,000,000 | – | 100 | Investment holding |
| Cosway (China) Co. Ltd.*# | China | RMB15,040,000 | – | 100 | Research, development and manufacturing of cleaning products and cosmetics; selling self-produced products; providing technical consultancy and technical service relating to self-produced products; engaging in the wholesale, import and export of the same |
| Cosway USA Inc.* | USA | USD5,000 | – | 100 | Direct selling of consumer, household and skin car products |
| eCosway Japan K.K.* | Japan | YEN21,000,000 | – | 100 | Direct selling of consumer, household and skin car products |
| Cosway Do Brasil Ltda.* | Brazil | Brazil Real 4,974,657 | – | 100 | Dormant |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# Cosway (China) Co. Ltd. is registered as a wholly-foreign-owned enterprise under the relevant PRC law.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the above list contains only the particulars of subsidiaries which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

## 18. Investments in associates

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| Unlisted shares, at cost | **–** | – | **8,200** | 8,200 |
| Share of net assets | **16,660** | 10,392 | **–** | – |
| | **16,660** | 10,392 | **8,200** | 8,200 |

Particulars of the associates are as follows:

| **Name** | Note | **Particulars of issued shares held** | **Place of incorporation/ registration** | **Percentage of ownership interest attributable to the Group** | **Principal activities** |
|---|---|---|---|---|---|
| Coswin (M) Sdn. Bhd. | (i) | Ordinary shares of RM1 each | Malaysia | 40 | Trading of consumer products |
| Greenland Timber Industries (Private) Limited* | | Ordinary shares of Singapore dollar 1.40 each | Singapore | 20 | Investment holding |

Note:

(i) This associate is indirectly held by the Company through its direct interest in Cosway M.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

As disclosed in the consolidated statement of financial position, the Group has an outstanding balance due to its associate of HK$2,899,000 (2010: HK$2,262,000) as at the end of the reporting period. This balance is unsecured, interest-free and repayable on demand.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Assets | **105,523** | 77,825 |
| Liabilities | **(22,456)** | (26,004) |
| Revenues | **7,279** | 8,180 |
| Profit | **2,875** | 3,685 |

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## 19. Available-for-sale investments

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Malaysian listed equity investments, at fair value | **39** | 19 |
| Club membership, at cost | **274** | 256 |
| Club debenture, at fair value | **200** | 200 |
| | **513** | 475 |

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Club debenture, at fair value | **200** | 200 |

The above listed investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The fair values of the listed equity investments are based on quoted market prices.

The club membership was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of it in the near future.

The fair value of the club debenture is based on its open market price.

## 20. Deferred tax

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

**Group**

| | **Depreciation allowance in excess of related depreciation** | **Revaluation of properties** | **Other provisions** | **Total** |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 May 2009 | 1,345 | 2,441 | (952) | 2,834 |
| Deferred tax charged to the income statement during the year (note 10) | 4,155 | 1,908 | 976 | 7,039 |
| Acquisition of subsidiaries (note 38) | – | 9,461 | – | 9,461 |
| Exchange realignment | 477 | 400 | (40) | 837 |
| At 30 April 2010 and 1 May 2010 | 5,977 | 14,210 | (16) | 20,171 |
| Deferred tax charged to the income statement during the year (note 10) | 7,078 | 16,104 | 16 | 23,198 |
| Deferred tax charged to equity during the year | – | 20,000 | – | 20,000 |
| Exchange realignment | 808 | 1,642 | – | 2,450 |
| At 30 April 2011 | **13,863** | **51,956** | **–** | **65,819** |

## 20. Deferred tax *(continued)*

The movements in deferred tax liabilities and assets during the year are as follows: *(continued)*

### Deferred tax assets

**Group**

| | Other provisions HK$'000 | Deferred income HK$'000 | Losses available for offsetting against future taxable profits HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 May 2009 | 252 | 2,115 | – | 156 | 2,523 |
| Deferred tax credited to the income statement during the year (note 10) | 980 | 3,264 | 669 | 126 | 5,039 |
| Exchange realignment | 83 | 520 | – | 29 | 632 |
| At 30 April 2010 and 1 May 2010 | 1,315 | 5,899 | 669 | 311 | 8,194 |
| Deferred tax credited/(charged) to the income statement during the year (note 10) | (92) | 12,611 | 3,657 | 1,137 | 17,313 |
| Exchange realignment | 76 | 1,072 | – | 97 | 1,245 |
| At 30 April 2011 | **1,299** | **19,582** | **4,326** | **1,545** | **26,752** |

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| Group | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **22,426** | 7,525 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(61,493)** | (19,502) |
| | **(39,067)** | (11,977) |

### Deferred tax liabilities

| Company | Revaluation of investment properties HK$'000 |
|---|---|
| At 1 May 2009 | 1,865 |
| Deferred tax charged to the income statement during the year | 3,200 |
| At 30 April 2010 and 1 May 2010 | 5,065 |
| Deferred tax charged to the income statement during the year | 3,657 |
| At 30 April 2011 | **8,722** |

## 20. Deferred tax *(continued)*

### Deferred tax assets

| Company | Losses available for offsetting against future taxable profits HK$'000 |
|---|---|
| At 1 May 2009 | 1,865 |
| Deferred tax credited to the income statement during the year | 3,200 |
| At 30 April 2010 and 1 May 2010 | 5,065 |
| Deferred tax credited to the income statement during the year | 3,657 |
| At 30 April 2011 | **8,722** |

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

| Company | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Net deferred tax liabilities recognised in the statement of financial position | **–** | – |
| Net deferred tax assets recognised in the statement of financial position | **–** | – |
| | **–** | – |

At the end of the reporting period, the Group had tax losses of HK$149,650,000 (2010: HK$79,353,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Included in these tax losses, the availability of tax losses of certain foreign subsidiaries has an utilisation period of three to twenty years as pre-determined by the tax legislations of the respective countries. The Company had no tax losses at the end of the reporting period (2010: HK$19,394,000). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| Tax losses | **149,650** | 79,353 | **–** | 19,394 |
| Deductible temporary differences | **10,716** | 10,591 | **–** | – |
| | **160,366** | 89,944 | **–** | 19,394 |

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 21. Inventories

| | Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Raw materials | **4,728** | 2,644 |
| Finished goods | **890,565** | 579,245 |
| | **895,293** | 581,889 |

## 22. Trade receivables

| | Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Trade receivables | **97,104** | 105,128 |
| Impairment | **(31,278)** | (25,566) |
| | **65,826** | 79,562 |

| | Company | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Trade receivables | **5** | 29 |

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:

| | Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Current | **56,325** | 59,090 |
| 1 to 2 months | **855** | 1,426 |
| 2 to 3 months | **4,056** | 1,852 |
| Over 3 months | **4,590** | 17,194 |
| | **65,826** | 79,562 |

| | Company | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Within 1 month | **5** | 29 |

## 22. Trade receivables *(continued)*

The movements in provision for impairment of trade receivables are as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| At beginning of year | **25,566** | 23,770 |
| Impairment losses recognised, net (note 7) | **3,997** | 2,539 |
| Amount written off as uncollectible | **(17)** | (738) |
| Exchange realignment | **1,732** | (5) |
| At end of year | **31,278** | 25,566 |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables which have been fully provided for as at the end of the reporting period.

The individually impaired trade receivables relate to customers that were in default or were delinquent in principal payments and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

There is no provision for impairment of trade receivables of the Company as at 30 April 2011 and 30 April 2010, and there is no movement in provision for impairment of trade receivables of the Company for the years ended 30 April 2011 and 30 April 2010.

The aged analysis of trade receivables that are not considered to be impaired is as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **36,833** | 44,251 |
| Less than 1 month past due | **19,607** | 14,899 |
| 1 to 2 months past due | **832** | 1,336 |
| 2 to 3 months past due | **4,000** | 2,082 |
| Over 3 months past due | **4,554** | 16,994 |
| | **65,826** | 79,562 |

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Less than 1 month past due | **5** | 29 |

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

## 23. Prepayments, deposits and other receivables

| | Group | | | Company | |
|---|---|---|---|---|---|
| | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 |
| Prepayments | **37,558** | 10,480 | 23,359 | **312** | 146 |
| Deposits | **107,820** | 70,353 | 29,974 | **151** | 149 |
| Other receivables | **16,330** | 75,750 | 54,222 | **21** | 67 |
| | **161,708** | 156,583 | 107,555 | **484** | 362 |
| Impairment | **(2,744)** | (45,147) | (40,549) | **–** | – |
| | **158,964** | 111,436 | 67,006 | **484** | 362 |
| Less: Deposits classified as non-current assets | **(64,689)** | (45,167) | (28,336) | **–** | – |
| Current portion | **94,275** | 66,269 | 38,670 | **484** | 362 |

Included in the above provision for impairment of other receivables of the Group is a provision for individually impaired other receivables of HK$2,744,000 (2010: HK$45,147,000) with carrying amounts before impairment of HK$2,744,000 (2010: HK$52,337,000) as at 30 April 2011. The individually impaired other receivables relate to debtors that were in default or were delinquent in principal payments and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in provision for impairment of other receivables are as follows:

| | Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| At beginning of year | **45,147** | 40,549 |
| Impairment losses reversed (note 7) | **–** | (3,956) |
| Amount written off as uncollectible | **(43,356)** | – |
| Exchange realignment | **953** | 8,554 |
| At end of year | **2,744** | 45,147 |

## 24. Balances with holding and former holding companies

Except for the amount due to the former immediate holding company of HK$11,000 at 1 May 2009, which was interest-bearing at 1.9% per annum, the balances with holding and former holding companies were unsecured, interest-free and repayable on demand.

## 25. Balances with fellow subsidiaries/a former related company

Except for amounts due from certain fellow subsidiaries of HK$1,011,000 (2010: HK$876,000), which bear interest at rates ranging from 8.06% to 8.30% (2010: 7.87% to 8.00%) per annum, the balances with fellow subsidiaries are unsecured, interest-free and repayable on demand.

At 1 May 2009, an amount due to a former related company of the Company of HK$118,000 was repayable on the expiring of the lease term in relation to a lease arrangement entered into between the Company and that former related company. The Company's balance with that former related company was unsecured and interest-free.

## 26. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances | **198,401** | 127,446 | **7,335** | 412 |
| Time deposits | **17,175** | 8,835 | **–** | – |
| | **215,576** | 136,281 | **7,335** | 412 |
| Less: Pledged time deposits for bank guarantees | **(7,373)** | (1,069) | **–** | – |
| Cash and cash equivalents | **208,203** | 135,212 | **7,335** | 412 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 30 April 2011, time deposits of HK$7,373,000 (2010: HK$1,069,000) were pledged to a bank for guarantee in lieu of rental deposits.

## 27. Asset held for sale

The balance as at 1 May 2009 represented the carrying amount of the freehold land owned by the Group that it intended to dispose of in the immediate future. The carrying amount of the asset immediately before reclassification was not materially different from its fair value.

On 30 March 2009, the Group announced the decision to dispose of the freehold land which was part of the Malaysian segment assets. The Group had decided to dispose of the freehold land because it was no longer relevant to its business needs. As at 1 May 2009, final negotiations for the sale were in progress and the freehold land was classified as an asset held for sale. The freehold land was disposed of on 11 August 2009 at a consideration of HK$22,677,000, with no gain or loss arising from the disposal.

## 28. 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:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Current | **270,269** | 159,703 |
| 1 to 2 months | **32,293** | 27,037 |
| 2 to 3 months | **17,967** | 8,114 |
| Over 3 months | **67,914** | 65,661 |
| | **388,443** | 260,515 |

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

The Company had no trade payables at the end of the reporting period (2010: Nil).

## 29. Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other payables | **126,711** | 78,264 | **502** | 653 |
| Accruals | **72,598** | 43,917 | **2,252** | 2,882 |
| | **199,309** | 122,181 | **2,754** | 3,535 |
| Less: Other payables classified as non-current liabilities | **(286)** | (275) | **(286)** | (275) |
| Current portion | **199,023** | 121,906 | **2,468** | 3,260 |

Other payables are non-interest-bearing. Except for rental deposit payables of the Group and the Company of HK$286,000 (2010: HK$275,000), which are included in the category of other payables classified as non-current liabilities, all other payables are expected to be settled within the next twelve months.

## 30. Defined benefit obligations

The Group operates an unfunded defined benefit plan for all its qualifying employees in Malaysia. Under the plan, the employees are entitled to lump sum retirement benefits at 75% of the average monthly salary for each full year of service on attainment of a retirement age of 55.

The actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 30 April 2011 by Actuarial Partners Consulting Sdn. Bhd., a member of the Actuarial Society of Malaysia, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period were as follows:

| | **2011** | 2010 |
|---|---|---|
| | **%** | % |
| Discount rate | **6.75** | 6.25 |
| Expected rate of salary increases | **6.00** | 6.00 |

The overall expected rate of return on plan assets is determined based on market expectations prevailing at the end of the reporting period, applicable to the period over which the obligations are to be settled.

The total expenses recognised in the consolidated income statement in respect of the plan are as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Current service cost | **197** | 137 |
| Interest cost | **87** | 77 |
| Amortisation of net loss | **–** | 2 |
| Net benefit expenses | **284** | 216 |
| Recognised in administrative expenses | **284** | 216 |

## 30. Defined benefit obligations *(continued)*

The movements in the present value of the defined benefit obligations are as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| At beginning of year | **1,394** | 1,037 |
| Current service cost | **197** | 137 |
| Interest cost | **87** | 77 |
| Amortisation of net loss | **–** | 2 |
| Defined benefit paid | **(70)** | – |
| Exchange realignment | **114** | 141 |
| At end of year | **1,722** | 1,394 |

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Analysed as: | | |
| Current | **89** | 41 |
| Non-current: | | |
| – Later than 1 year but not later than 2 years | **31** | 102 |
| – Later than 2 years but not later than 5 years | **212** | 241 |
| – Later than 5 years | **1,390** | 1,010 |
| | **1,633** | 1,353 |
| | **1,722** | 1,394 |

There are no plan assets as the defined benefit plan is unfunded.

A reconciliation of the present value of the defined benefit obligations to the net value of assets and liabilities recognised in the consolidated statement of financial position is as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Present value of defined benefit obligations | **1,636** | 1,548 |
| Unrecognised net actuarial losses/(gains) | **86** | (154) |
| Net liabilities arising from defined benefit obligations | **1,722** | 1,394 |

A five-year summary of the present values of the defined benefit obligations, the deficits in the plan and the experience adjustments arising on plan liabilities is as follows:

| | **2011 HK$'000** | 2010 HK$'000 | 2009 HK$'000 | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | **1,636** | 1,548 | 1,174 | 1,108 | 713 |
| Deficit in the plan | **1,636** | 1,548 | 1,174 | 1,108 | 713 |
| Experience adjustments on plan liabilities | **(246)** | 154 | 137 | 159 | – |

## 31. Interest-bearing bank and other borrowings

**Group**

| | 30 April 2011 | | | 30 April 2010 (Restated) | | | 1 May 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Effective annual interest rate (%) | Maturity | HK$'000 | Effective annual interest rate (%) | Maturity | HK$'000 | Effective annual interest rate (%) | Maturity | HK$'000 |
| **Current** | | | | | | | | | |
| Bank overdrafts – unsecured | Malaysia Banking Institution's Base Lending Rate ("BLR") +1.75 | On demand | – | BLR + 1.75 | On demand | 28,989 | BLR + 1.75 | On demand | 34,688 |
| Bank loan – unsecured | Kuala Lumpur Interbank Offered Rate ("KLIBOR") +0.75 – 1.00 | 2011 | 56,119 | KLIBOR + 0.75 – 1.00 | 2010 | 56,751 | KLIBOR + 0.75 – 1.00 | 2009 | 23,234 |
| Hire purchase contract payables – secured (note 32) | 3.24 – 12.26 | 2011 – 2012 | 157 | 3.24 – 4.70 | 2010 – 2011 | 32 | 3.24 – 4.70 | 2009 – 2010 | 28 |
| Bank loan – secured | Taiwan Reuters Primary Market Commercial Paper 90 Days Rate ("TRPMCPR") + 0.43 | 2012 | 799 | TRPMCPR + 0.43 | 2011 | 728 | BLR +2.00 | 2010 | 434 |
| Bank loan – unsecured | Taiwan Banking Institution's Base Lending Rate ("TBLR") + 0.40 | 2011 | 2,684 | | | – | | | – |
| Revolving credit – secured | Cost of Fund ("COF") + 2.00 | 2011 | 182,306 | COF + 2.00 | 2011 | 70,603 | | | – |
| Other bank loan – unsecured | (6-month USD Singapore Interbank Offered Rate ("SIBOR") + 1.06)/0.9445 | 2011 | 522 | | | – | | | – |
| Bank loan – secured | Hong Kong dollar prime lending rate ("HKDPLR") – 0.50 | On demand | 6,165 | HKDPLR - 0.50 | On demand | 6,345 | | | – |
| | | | 248,752 | | | 163,448 | | | 58,384 |

## 31. Interest-bearing bank and other borrowings *(continued)*

**Group**

| | 30 April 2011 | | | 30 April 2010 (Restated) | | | 1 May 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Effective annual interest rate (%) | Maturity | HK$'000 | Effective annual interest rate (%) | Maturity | HK$'000 | Effective annual interest rate (%) | Maturity | HK$'000 |
| **Non-current** | | | | | | | | | |
| Hire purchase contract payables – secured (note 32) | 3.24 – 12.26 | 2012 – 2013 | 73 | 3.24 – 4.70 | 2011 | 7 | 3.24 – 4.70 | 2010 – 2011 | 35 |
| Bank loan – secured | TRPMCPR + 0.43 | 2012 – 2014 | 1,990 | TRPMCPR + 0.43 | 2013 | 2,584 | | | – |
| Bank loan – unsecured | TBLR + 0.40 | 2012 – 2015 | 9,166 | | | – | | | – |
| | | | 11,229 | | | 2,591 | | | 35 |
| | | | 259,981 | | | 166,039 | | | 58,419 |

**Company**

| | 30 April 2011 | | | 30 April 2010 (Restated) | | | 1 May 2009 (Restated) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Effective annual interest rate (%) | Maturity | HK$'000 | Effective annual interest rate (%) | Maturity | HK$'000 | Effective annual interest rate (%) | Maturity | HK$'000 |
| **Current** | | | | | | | | | |
| Bank loan – secured | HKDPLR – 0.50 | On demand | 6,165 | HKDPLR – 0.50 | On demand | 6,345 | HKDPLR – 0.50 | On demand | 6,525 |

## 31. Interest-bearing bank and other borrowings *(continued)*

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 | **30 April 2011 HK$'000** | 30 April 2010 HK$'000 (Restated) | 1 May 2009 HK$'000 (Restated) |
| Analysed into: | | | | | | |
| Bank loans and overdrafts repayable: | | | | | | |
| Within one year or on demand | **248,595** | 163,416 | 58,356 | **6,165** | 6,345 | 6,525 |
| In the second year | **3,494** | – | – | **–** | – | – |
| In the third to fifth years, inclusive | **3,509** | 2,584 | – | **–** | – | – |
| Beyond five years | **4,153** | – | – | **–** | – | – |
| | **259,751** | 166,000 | 58,356 | **6,165** | 6,345 | 6,525 |
| Other borrowings repayable: | | | | | | |
| Within one year or on demand | **157** | 32 | 28 | **–** | – | – |
| In the second year | **73** | 7 | 28 | **–** | – | – |
| In the third to fifth years, inclusive | **–** | – | 7 | **–** | – | – |
| | **230** | 39 | 63 | **–** | – | – |
| | **259,981** | 166,039 | 58,419 | **6,165** | 6,345 | 6,525 |

Notes:

(a) The Company's bank loan is secured, bears interest at the Hong Kong dollar prime lending rate of CITIC Ka Wah Bank Limited minus 0.5% per annum and is repayable by 194 monthly instalments commencing in October 1999.

(b) Certain of the Group's and the Company's bank and other borrowings are secured by:

(i) the pledge of the Group's and the Company's investment properties, which had aggregate carrying values at the end of the reporting period of approximately HK$231,284,000 (2010: HK$195,484,000) and HK$86,700,000 (2010: HK$65,233,000), respectively (note 15); and

(ii) the pledge of certain of the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$96,911,000 (2010: HK$14,293,000) (note 14).

(c) Except for certain bank loans denominated in Hong Kong dollars of HK$6,165,000 (2010: HK$6,345,000), all bank and other borrowings at the end of the reporting period were denominated in Ringgit Malaysia and New Taiwan dollars.

As further explained in notes 2.2(c) and 47 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's and the Company's interest-bearing bank borrowing in the amount of HK$6,165,000 (2010: HK$6,345,000) containing on demand clauses has been reclassified as a current liability. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the loans, the amount repayable in respect of the loans are: within one year or on demand HK$242,610,000 (2010: HK$157,251,000); in the second year HK$3,674,000 (2010: HK$180,000); in the third to fifth years, inclusive HK$9,314,000 (2010: HK$3,124,000) and beyond five years HK$4,153,000 (2010: HK$5,445,000).

## 32. Hire purchase contract payables

The Group leases certain of its plant and machinery for its direct selling business. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

**Group**

| | **Minimum lease payments 2011 HK$'000** | Minimum lease payments 2010 HK$'000 | **Present value of minimum lease payments 2011 HK$'000** | Present value of minimum lease payments 2010 HK$'000 |
|---|---|---|---|---|
| Amounts payable: | | | | |
| Within one year | **194** | 36 | **157** | 32 |
| In the second year | **86** | 10 | **73** | 7 |
| Total minimum finance lease payments | **280** | 46 | **230** | 39 |
| Future finance charges | **(50)** | (7) | | |
| Total net finance lease payables | **230** | 39 | | |
| Portion classified as current liabilities (note 31) | **(157)** | (32) | | |
| Non-current portion (note 31) | **73** | 7 | | |

## 33. Loan from a shareholder

The loan from a shareholder is unsecured, bears interest at 3% per annum above the Hong Kong dollar prime lending rate of the Hongkong and Shanghai Banking Corporation Limited and is not repayable within the next twelve months.

| | **Group and Company** | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Loan from a shareholder | **12,230** | 11,840 |

## 34. Irredeemable convertible unsecured loan securities

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.

## 34. Irredeemable convertible unsecured loan securities *(continued)*

During the year ended 30 April 2011, ICULS with a principal sum of HK$550,615,766 (2010: HK$60,000,000) were converted into 2,753,078,830 (2010: 300,000,000) ordinary shares of HK$0.20 each of the Company (note 35).

As at 30 April 2011, ICULS with an aggregate principal amount of HK$1,579,384,234 remained outstanding. Upon full conversion, the ICULS shall be converted into 7,896,921,170 ordinary shares of the Company.

The ICULS issued in the prior year were split into the liability and equity components, as follows:

**Group and Company**

| | Liability component of the ICULS HK$'000 | Equity component of the ICULS HK$'000 | Total HK$'000 |
|---|---|---|---|
| Issuance 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) |
| At 30 April 2010 and 1 May 2010 | 391,831 | 1,752,505 | 2,144,336 |
| Interest expense | 32,417 | – | 32,417 |
| Interest paid | (18,960) | – | (18,960) |
| Conversion of ICULS | (102,397) | (452,991) | (555,388) |
| At 30 April 2011 | **302,891** | **1,299,514** | **1,602,405** |

## 35. Share capital

| | **Group Issued capital** HK$'000 |
|---|---|
| At 1 May 2009 | 332,861 |
| Acquisition of subsidiaries | 118,039 |
| Acquisition of non-controlling interests | 6,500 |
| Loan capitalisation | 36,000 |
| Conversion of ICULS | 60,000 |
| At 30 April 2010 and 1 May 2010 | 553,400 |
| Conversion of ICULS | 550,616 |
| At 30 April 2011 | **1,104,016** |

### (a) Issued capital of the Group

Due to the application of the reverse acquisition basis of accounting, the issued capital of the Group represents the issued capital of the legal subsidiary, Cosway M, immediately before the Acquisition of HK$332,861,000, the deemed cost of acquisition of the CCL Group of HK$118,039,000 (note 38(c)), the issuances of new shares for the acquisition of non-controlling interests and loan capitalisation as described in note (iii) and note (iv) below of HK$6,500,000 and HK$36,000,000, respectively, and the conversion of the ICULS as described in notes (v) and (vi) below of HK$60,000,000 and HK$550,616,000, respectively.

The equity structure, being the number and type of shares, reflects the equity structure of the Company as the legal parent.

## 35. Share capital *(continued)*

### (b) Share capital of the Company

| | Number of shares (in thousand) | Nominal value HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.20 each at 1 May 2009 | 1,250,000 | 250,000 |
| Increase in authorised share capital (note (i)) | 18,750,000 | 3,750,000 |
| Ordinary shares of HK$0.20 each at 30 April 2010 and 2011 | **20,000,000** | **4,000,000** |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.20 each at 1 May 2009 | 591,048 | 118,210 |
| Issue of shares for the Acquisition (note (ii)) | 858,185 | 171,636 |
| Issue of shares for acquisition of non-controlling interests (note (iii)) | 32,499 | 6,500 |
| Loan capitalisation (note (iv)) | 180,000 | 36,000 |
| Conversion of ICULS (note (v)) | 300,000 | 60,000 |
| Ordinary shares of HK$0.20 each at 30 April 2010 and 1 May 2010 | 1,961,732 | 392,346 |
| Conversion of ICULS (note (vi)) | 2,753,079 | 550,616 |
| Ordinary shares of HK$0.20 each at 30 April 2011 | **4,714,811** | **942,962** |

During the years ended 30 April 2011 and 30 April 2010, the movements in share capital were as follows:

(i) Pursuant to an ordinary resolution passed on 23 November 2009, the authorised share capital of the Company was increased from HK$250,000,000 to HK$4,000,000,000 by the creation of 18,750,000,000 additional shares of HK$0.20 each, ranking pari passu in all aspects with the existing shares of the Company.

(ii) On 8 December 2009, 858,185,074 ordinary shares of HK$0.20 each were issued at HK$0.20 as part of the consideration of the Acquisition. Details of the Acquisition are set out in note 2.1 to the financial statements.

(iii) On 8 December 2009, 32,498,592 ordinary shares of HK$0.20 each were issued at HK$0.20 as part of the consideration of the acquisition of non-controlling interests of eCosway. Details of this acquisition are set out in note 2.1 to the financial statements.

(iv) On 8 December 2009, 180,000,000 ordinary shares of HK$0.20 each were issued for settlement of a loan from a shareholder of HK$36,000,000.

(v) On 13 April 2010, 300,000,000 ordinary shares of HK$0.20 each were issued upon the conversion of ICULS, amounting to HK$60,000,000, at a conversion price of HK$0.20 each.

(vi) During the year ended 30 April 2011, 2,753,078,830 ordinary shares of HK$0.20 each were issued upon the conversion of ICULS, amounting to HK$550,615,766, at a conversion price of HK$0.20 each.

**Share options**

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

## 36. Share option scheme

Pursuant to an ordinary resolution of the shareholders of the Company dated 23 November 2009, a share option scheme (the "Scheme") was approved and adopted for the purpose of providing incentives and rewards to eligible participants, including executive directors, non-executive directors, independent non-executive directors, employees and any shareholder of any member of the Group for their contribution to the Group. The Scheme became effective on 29 January 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which share options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders and/or specially identified by the Board. The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 business days from the date of offer, upon payment of a consideration of HK$1 in total by the grantee. The exercise price shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

| | **2011**<br>**Weighted average exercise price**<br>**HK$ per share** | **Number of options**<br>**'000** |
|---|---|---|
| Granted during the year | **1.10** | **17,625** |
| Forfeited during the year | **1.10** | **(375)** |
| At 30 April 2011 | **1.10** | **17,250** |

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

**2011**

| **Number of options**<br>'000 | **Exercise price***<br>HK$ per share | **Exercise period** |
|---|---|---|
| **17,250** | **1.10** | 6 May 2010 – 5 May 2020 |

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

## 36. Share option scheme *(continued)*

The fair value of the share options granted during the year was HK$12,513,000 (HK$0.71 each) of which the Group recognised a share option expense of HK$11,199,000 during the year ended 30 April 2011.

The fair value of equity-settled share options granted during the year 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:

| | 2011 |
|---|---|
| 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 expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

No share options were exercised during the year ended 30 April 2011.

At the end of the reporting period, the Company had 17,250,000 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 17,250,000 additional ordinary shares of the Company amounting to share capital of HK$3,450,000 and share premium of HK$15,525,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 17,250,000 share options outstanding under the Scheme, which represented approximately 0.37% of the Company's shares in issue as at that date.

## 37. Reserves

### (a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(ii) In accordance with the provisions of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 25% of the annual net profit to a legal reserve until that reserve equals 50% of its initial capital. This reserve is not distributable to the shareholders.

## 37. Reserves *(continued)*

### (b) Company

| | Share premium account HK$'000 | Share option reserve HK$'000 | Retained profits/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Balance at 1 May 2009 | 12,282 | – | (109,721) | (97,439) |
| Total comprehensive income for the year | – | – | 171,063 | 171,063 |
| At 30 April 2010 and 1 May 2010 | 12,282 | – | 61,342 | 73,624 |
| Total comprehensive income for the year | – | – | 8,528 | 8,528 |
| Equity-settled share option arrangements | – | 11,199 | – | 11,199 |
| Forfeiture of share options | – | (238) | 238 | – |
| Conversion of ICULS | – | – | 4,772 | 4,772 |
| Final 2010 dividend paid (note 12) | – | – | (52,424) | (52,424) |
| At 30 April 2011 | **12,282** | **10,961** | **22,456** | **45,699** |

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## 38. Business combinations

(a) On 4 February 2011, the Group acquired a 95% equity interest in PT Berjaya Cosway Indonesia ("Cosway Indonesia"), a company incorporated in Indonesia and engaged in direct selling business, for a total consideration of HK$22,141,000. The acquisition was made as part of the Group's strategy to expand its market share of direct selling business in Indonesia.

The fair values of the identifiable assets and liabilities of Cosway Indonesia as at the date of acquisition were as follows:

| | **Fair value recognised on acquisition** HK$'000 |
|---|---|
| Property, plant and equipment | 7,909 |
| Inventories | 21,208 |
| Trade receivables | 2,874 |
| Prepayments, deposits and other receivables | 8,616 |
| Cash and bank balances | 10,422 |
| Trade payables | (21,683) |
| Other payables | (6,909) |
| Hire purchase contract payables | (296) |
| Total identifiable net assets at fair value | 22,141 |
| Goodwill | – |
| Satisfied by: | |
| Set-off against trade receivables due from Cosway Indonesia | 8,036 |
| Set-off against other receivables due from Cosway Indonesia | 14,105 |
| | 22,141 |

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | – |
| Cash and bank balances acquired | 10,422 |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | 10,422 |

Since its acquisition, the contributions by Cosway Indonesia to the Group's revenue and consolidated profit for the year ended 30 April 2011 were insignificant.

Had the combination taken place at the beginning of the year ended 30 April 2011, there would have been no material change to the revenue and the consolidated profit of the Group for the year.

## 38. Business combinations *(continued)*

(b) On 17 June 2010, the Group acquired a 100% equity interest in Cosway (Guangzhou) Cosmetic Manufacture Co ("CCM"), a company incorporated in the People's Republic of China ("PRC") for a total cash consideration of HK$11,328,000.

The fair values of the identifiable assets and liabilities of CCM as at the date of acquisition were as follows:

| | **Fair value recognised on acquisition** HK$'000 |
|---|---|
| Property, plant and equipment | 1,843 |
| Inventories | 50 |
| Trade receivables | 296 |
| Cash and bank balances | 117 |
| Other payables | (557) |
| Total identifiable net assets at fair value | 1,749 |
| Goodwill | 9,579 |
| Satisfied by cash | 11,328 |

The fair value and gross contractual amount of the trade receivables as at the date of acquisition amounted to HK$296,000.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | (11,328) |
| Cash and bank balances acquired | 117 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (11,211) |

Since its acquisition, the contributions by CCM to the Group's revenue and consolidated profit for the year ended 30 April 2011 were insignificant.

Had the combination taken place at the beginning of the year ended 30 April 2011, there would have been no material change to the revenue and the consolidated profit of the Group for the year.

(c) As mentioned in note 2.1 above, on 8 December 2009, the Company acquired the Cosway M Group, which was treated as the acquirer for accounting purpose in the business combination under HKFRS 3. Reverse acquisition accounting has been adopted to account for the Acquisition, and accordingly these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Cosway M Group, and the results of the CCL Group have been consolidated since the completion date of the Acquisition.

## 38. Business combinations *(continued)*

(c) *(continued)*

Details of the net assets of the CCL Group assumed and goodwill arising from the Acquisition are as follows:

| | HK$'000 |
|---|---|
| Purchase consideration: | |
| Consideration deemed to have been paid by the Cosway M Group (note (i)) | 118,039 |
| Direct cost relating to the Acquisition | 17,478 |
| Total purchase consideration | 135,517 |
| Less: Fair value of net assets acquired (note (ii)) | (29,204) |
| Goodwill | 106,313 |

Notes:

(i) The fair value of the consideration deemed to have been paid by the Cosway M Group was based on the fair value of the equity instruments deemed to have been issued by the Cosway M Group for the acquisition of the CCL Group.

(ii) The separately identifiable assets and liabilities of the CCL Group as at the completion date of the Acquisition were as follows:

| | **Fair value recognised on acquisition** HK$'000 | **Previous carrying amount** HK$'000 |
|---|---|---|
| Property, plant and equipment | 278 | 278 |
| Investment properties | 64,799 | 64,799 |
| Investment in an associate | 7,129 | 7,129 |
| Available-for-sale investments | 200 | 200 |
| Cash and bank balances | 255 | 255 |
| Prepayments, deposits and other receivables | 5,550 | 5,550 |
| Interest-bearing bank borrowings | (6,420) | (6,420) |
| Other payables and accruals | (902) | (902) |
| Loan from a shareholder | (36,703) | (36,703) |
| | 34,186 | 34,186 |
| Non-controlling interests | (4,982) | |
| | 29,204 | |

| | HK$'000 |
|---|---|
| Cash consideration | (101,962) |
| Direct cost relating to the Acquisition paid | (8,968) |
| Cash and bank balances acquired | 255 |
| Net outflow of cash and cash equivalents in respect of the Acquisition | (110,675) |

Since its acquisition, the CCL Group contributed a loss of HK$16,185,000 to the consolidated profit for the year ended 30 April 2010.

Had the combination taken place at the beginning of the year ended 30 April 2010, the profit of the Group for that year would have been HK$236,131,000.

## 38. Business combinations *(continued)*

(d) On 1 May 2009, Cosway M acquired a 90% equity interest in Golden Works (M) Sdn. Bhd. ("GWSB"), a company incorporated in Malaysia and engaged in property investment, for a total cash consideration of HK$47,548,000. On 8 June 2009, Cosway M acquired the remaining 10% equity interest in GWSB for a total cash consideration of HK$5,965,000. The relevant sale and purchase agreements were completed on 29 May 2009 and 8 June 2009, respectively.

The fair values of the identifiable assets and liabilities of GWSB as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

| | **Fair value recognised on acquisition** HK$'000 | **Previous carrying amount** HK$'000 |
|---|---|---|
| Property, plant and equipment | 17 | 17 |
| Investment properties | 61,352 | 61,352 |
| Trade receivables | 178 | 178 |
| Prepayments, deposits and other receivables | 131 | 131 |
| Cash and bank balances | 1,220 | 1,220 |
| Other payables | (1,278) | (1,278) |
| Tax payable | (15) | (15) |
| Deferred tax liabilities | (9,461) | (9,461) |
| | 52,144 | 52,144 |
| Non-controlling interests | (5,217) | |
| | 46,927 | |
| Goodwill | 621 | |
| Satisfied by: | | |
| Cash | 38,038 | |
| Deposits paid for the acquisition | 9,510 | |
| | 47,548 | |

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | (38,038) |
| Cash and bank balances acquired | 1,220 |
| Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary | (36,818) |

Since its acquisition, GWSB contributed HK$3,646,000 to the consolidated profit for the year ended 30 April 2010.

Had the combination taken place at the beginning of the year ended 30 April 2010, there would have been no material change to the revenue and the consolidated profit of the Group for that year.

## 39. Major non-cash transactions

(i) Interest expenses paid to a shareholder of HK$908,000 (2010: HK$318,000) were settled through the loan balance with the shareholder.

(ii) During the year ended 30 April 2010, the Group utilised a deposit of HK$9,510,000 for the acquisition of a subsidiary.

(iii) During the year ended 30 April 2011, the Group utilised its trade receivables and other receivables due from Cosway Indonesia of HK$8,036,000 and HK$14,105,000, respectively, for the acquisition of Cosway Indonesia.

## 40. 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.

## 41. Operating lease arrangements

### (a) As lessor

The Group and the Company lease their investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 April 2011, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| Within one year | **11,820** | 4,167 | **1,462** | 1,375 |
| In the second to fifth years, inclusive | **5,471** | 913 | **902** | 368 |
| | **17,291** | 5,080 | **2,364** | 1,743 |

### (b) As lessee

The Group and the Company lease certain of its office properties and office equipment under operating lease arrangements. Leases for offices and retail shops are negotiated for terms ranging from one to seven years, and those for office equipment are for terms ranging between two and five years.

At 30 April 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| Within one year | **113,127** | 68,345 | **79** | 157 |
| In the second to fifth years, inclusive | **99,958** | 42,156 | **–** | 37 |
| After five years | **3,536** | – | **–** | – |
| | **216,621** | 110,501 | **79** | 194 |

The operating lease rentals of certain retail shops are based on the sales of those shops. In the opinion of the directors, as the future sales of those retail shops could not be accurately estimated, the relevant rental commitments have not been included above.

## 42. Commitments

In addition to the operating lease commitments detailed in note 41 above, the Group had the following capital commitments at the end of the reporting period:

| | Group | |
|---|---|---|
| | **2011** **HK$'000** | 2010 HK$'000 |
| Contracted, but not provided for: | | |
| Property, plant and equipment | **27,082** | – |
| Others | **1,709** | – |
| | **28,791** | – |
| Authorised, but not contracted for: | | |
| Property, plant and equipment | **693** | – |
| | **29,484** | – |

At the end of the reporting period, the Company did not have any significant commitments.

## 43. Pledge of assets

Details of the Group's and the Company's banking facilities which are secured by the assets of the Group and the Company, are included in notes 14, 15, 26 and 31 to the financial statements.

## 44. Related party transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

| | | Group | |
|---|---|---|---|
| | Notes | **2011** **HK$'000** | 2010 HK$'000 |
| Sales of goods to fellow subsidiaries | (i) | **2,600** | 2,221 |
| Leasing of aircraft from a fellow subsidiary | (ii) | **2,388** | 2,163 |
| Service fees paid to fellow subsidiaries | (iii) | **25,452** | 12,146 |
| Purchases of goods from fellow subsidiaries | (iv) | **8,961** | 8,062 |
| Rental expenses paid to related companies | (v) | **2,115** | 1,838 |

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 year, 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.

## 44. Related party transactions *(continued)*

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with holding companies and a shareholder are included in notes 24 and 33 to the financial statements, respectively.

(ii) Details of the Group's balances with fellow subsidiaries and the Company's balance with a former related company are included in note 25 to the financial statements.

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

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Short term employee benefits | **14,357** | 2,436 |
| Post-employment benefits | **1,449** | 144 |
| Equity-settled share option expenses | **5,163** | – |
| Total compensation paid to key management personnel | **20,969** | 2,580 |

Further details of directors' emoluments are included in note 8 to the financial statements.

## 45. Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

**Group**

**2011**

**Financial assets**

| | **Loans and receivables HK$'000** | **Available-for-sale financial assets HK$'000** | **Total HK$'000** |
|---|---|---|---|
| Available-for-sale investments | **–** | **513** | **513** |
| Trade receivables | **65,826** | **–** | **65,826** |
| Financial assets included in prepayments, deposits and other receivables (note 23) | **121,406** | **–** | **121,406** |
| Due from fellow subsidiaries | **1,911** | **–** | **1,911** |
| Pledged deposits | **7,373** | **–** | **7,373** |
| Cash and cash equivalents | **208,203** | **–** | **208,203** |
| | **404,719** | **513** | **405,232** |

## 45. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: *(continued)*

**Group** *(continued)*
**2011** *(continued)*

### Financial liabilities

| | **Financial liabilities at amortised cost HK$'000** |
|---|---|
| Trade payables | **388,443** |
| Financial liabilities included in other payables and accruals (note 29) | **126,711** |
| Interest-bearing bank and other borrowings | **259,981** |
| Due to an associate | **2,899** |
| Due to fellow subsidiaries | **3,006** |
| Loan from a shareholder | **12,230** |
| ICULS – liability component | **302,891** |
| | **1,096,161** |

**Group**
**2010**

### Financial assets

| | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| Available-for-sale investments | – | 475 | 475 |
| Trade receivables | 79,562 | – | 79,562 |
| Financial assets included in prepayments, deposits and other receivables (note 23) | 100,956 | – | 100,956 |
| Due from fellow subsidiaries | 1,529 | – | 1,529 |
| Pledged deposits | 1,069 | – | 1,069 |
| Cash and cash equivalents | 135,212 | – | 135,212 |
| | 318,328 | 475 | 318,803 |

### Financial liabilities

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Trade payables | 260,515 |
| Financial liabilities included in other payables and accruals (note 29) | 78,264 |
| Interest-bearing bank and other borrowings | 166,039 |
| Due to an associate | 2,262 |
| Due to fellow subsidiaries | 1,040 |
| Loan from a shareholder | 11,840 |
| ICULS – liability component | 391,831 |
| | 911,791 |

## 45. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: *(continued)*

**Company**
**2011**

### Financial assets

| | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| Available-for-sale investments | – | 200 | 200 |
| Due from a subsidiary | 10,133 | – | 10,133 |
| Trade receivables | 5 | – | 5 |
| Financial assets included in prepayments, deposits and other receivables (note 23) | 172 | – | 172 |
| Cash and cash equivalents | 7,335 | – | 7,335 |
| | 17,645 | 200 | 17,845 |

### Financial liabilities

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Financial liabilities included in other payables and accruals (note 29) | 502 |
| Due to subsidiaries | 1,265 |
| Interest-bearing bank borrowings | 6,165 |
| Loan from a shareholder | 12,230 |
| ICULS – liability component | 302,891 |
| | 323,053 |

**Company**
**2010**

### Financial assets

| | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| Available-for-sale investments | – | 200 | 200 |
| Trade receivables | 29 | – | 29 |
| Dividend receivable | 70,303 | – | 70,303 |
| Financial assets included in prepayments, deposits and other receivables (note 23) | 216 | – | 216 |
| Cash and cash equivalents | 412 | – | 412 |
| | 70,960 | 200 | 71,160 |

## 45. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: *(continued)*

**Company** *(continued)*
**2010** *(continued)*

**Financial liabilities**

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Financial liabilities included in other payables and accruals (note 29) | 653 |
| Due to subsidiaries | 4,786 |
| Interest-bearing bank borrowings | 6,345 |
| Loan from a shareholder | 11,840 |
| ICULS – liability component | 391,831 |
| | 415,455 |

## 46. Fair value and fair value hierarchy

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

**Group**

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | **208,203** | 135,212 | **208,203** | 135,212 |
| Pledged deposits | **7,373** | 1,069 | **7,373** | 1,069 |
| Trade receivables | **65,826** | 79,562 | **65,826** | 79,562 |
| Financial assets included in prepayments, deposits and other receivables (note 23) | **121,406** | 100,956 | **121,406** | 100,956 |
| Available-for-sale investments | **513** | 475 | **513** | 475 |
| Due from fellow subsidiaries | **1,911** | 1,529 | **1,911** | 1,529 |
| | **405,232** | 318,803 | **405,232** | 318,803 |
| **Financial liabilities** | | | | |
| Trade payables | **388,443** | 260,515 | **388,443** | 260,515 |
| Financial liabilities included in other payables and accruals (note 29) | **126,711** | 78,264 | **126,711** | 78,264 |
| Interest-bearing bank and other borrowings | **259,981** | 166,039 | **259,981** | 166,039 |
| Due to an associate | **2,899** | 2,262 | **2,899** | 2,262 |
| Due to fellow subsidiaries | **3,006** | 1,040 | **3,006** | 1,040 |
| Loan from a shareholder | **12,230** | 11,840 | **12,230** | 11,840 |
| ICULS – liability component | **302,891** | 391,831 | **310,729** | 391,831 |
| | **1,096,161** | 911,791 | **1,103,999** | 911,791 |

## 46. Fair value and fair value hierarchy *(continued)*

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: *(continued)*

**Company**

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | **7,335** | 412 | **7,335** | 412 |
| Due from a subsidiary | **10,133** | – | **10,133** | – |
| Trade receivables | **5** | 29 | **5** | 29 |
| Financial assets included in prepayments, deposits and other receivables (note 23) | **172** | 216 | **172** | 216 |
| Dividend receivable | **–** | 70,303 | **–** | 70,303 |
| Available-for-sale investments | **200** | 200 | **200** | 200 |
| | **17,845** | 71,160 | **17,845** | 71,160 |
| **Financial liabilities** | | | | |
| Due to subsidiaries | **1,265** | 4,786 | **1,265** | 4,786 |
| Financial liabilities included in other payables and accruals (note 29) | **502** | 653 | **502** | 653 |
| Interest-bearing bank borrowings | **6,165** | 6,345 | **6,165** | 6,345 |
| Loan from a shareholder | **12,230** | 11,840 | **12,230** | 11,840 |
| ICULS – liability component | **302,891** | 391,831 | **310,729** | 391,831 |
| | **323,053** | 415,455 | **330,891** | 415,455 |

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade receivables, trade payables, dividend receivable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to fellow subsidiaries, amounts due from/to subsidiaries, an amount due to an associate, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current portion of interest-bearing bank and other borrowings, and a loan from a shareholder have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the liability portion of the ICULS has been calculated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond.

The fair values of listed equity investments are based on quoted market prices.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

## 46. Fair value and fair value hierarchy *(continued)*

**Group**

Assets measured at fair value as at 30 April 2011:

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Available-for-sale investments: | | | | |
| Equity investments | **39** | **–** | **–** | **39** |
| Debt investments | **200** | **–** | **–** | **200** |
| | **239** | **–** | **–** | **239** |

Assets measured at fair value as at 30 April 2010:

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Available-for-sale investments: | | | | |
| Equity investments | 19 | – | – | 19 |
| Debt investments | 200 | – | – | 200 |
| | 219 | – | – | 219 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

**Company**

Assets measured at fair value as at 30 April 2011:

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Available-for-sale investments: | | | | |
| Debt investments | **200** | **–** | **–** | **200** |

Assets measured at fair value as at 30 April 2010:

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Available-for-sale investments: | | | | |
| Debt investments | 200 | – | – | 200 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

## 47. Financial risk management objectives and policies

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, ICULS, cash and bank balances and balances with group companies. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risk arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

**Group**

| | **Increase/ (decrease) in basis points** | **Increase/ (decrease) in profit before tax** HK$'000 | **Increase/ (decrease) in equity*** HK$'000 |
|---|---|---|---|
| **2011** | | | |
| Ringgit Malaysia | **100** | **(2,378)** | **–** |
| Hong Kong dollar | **100** | **(63)** | **–** |
| Ringgit Malaysia | **(100)** | **2,378** | **–** |
| Hong Kong dollar | **(100)** | **63** | **–** |
| 2010 | | | |
| Ringgit Malaysia | 100 | (1,563) | – |
| Hong Kong dollar | 100 | (182) | – |
| Ringgit Malaysia | (100) | 1,563 | – |
| Hong Kong dollar | (100) | 182 | – |

* Excluding retained profits

## 47. Financial risk management objectives and policies *(continued)*

### Interest rate risk *(continued)*

**Company**

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax HK$'000 | Increase/ (decrease) in equity* HK$'000 |
|---|---|---|---|
| **2011** | | | |
| Hong Kong dollar | **100** | **(63)** | **–** |
| Hong Kong dollar | **(100)** | **63** | **–** |
| 2010 | | | |
| Hong Kong dollar | 100 | (182) | – |
| Hong Kong dollar | (100) | 182 | – |

* Excluding retained profits

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity. There is no impact on the Company's profit before tax and equity.

| | Change in exchange rates % | Increase/ (decrease) in profit before tax HK$'000 | Increase/ (decrease) in equity* HK$'000 |
|---|---|---|---|
| **2011** | | | |
| If Hong Kong dollar weakens against New Taiwan dollar | **5** | **(250)** | **–** |
| If Hong Kong dollar weakens against Brunei dollar | **5** | **322** | **–** |
| If Hong Kong dollar weakens against Singapore dollar | **5** | **322** | **–** |
| If Hong Kong dollar weakens against Renminbi | **5** | **12** | **–** |
| If Hong Kong dollar weakens against Indonesian Rupiah | **5** | **26** | **–** |
| If Hong Kong dollar weakens against Swiss Franc | **5** | **(113)** | **–** |
| If Hong Kong dollar strengthens against New Taiwan dollar | **5** | **250** | **–** |
| If Hong Kong dollar strengthens against Brunei dollar | **5** | **(322)** | **–** |
| If Hong Kong dollar strengthens against Singapore dollar | **5** | **(322)** | **–** |
| If Hong Kong dollar strengthens against Renminbi | **5** | **(12)** | **–** |
| If Hong Kong dollar strengthens against Indonesian Rupiah | **5** | **(26)** | **–** |
| If Hong Kong dollar strengthens against Swiss Franc | **5** | **113** | **–** |

* Excluding retained profits

## 47. Financial risk management objectives and policies *(continued)*

### Foreign currency risk *(continued)*

| | Change in exchange rates % | Increase/ (decrease) in profit before tax HK$'000 | Increase/ (decrease) in equity* HK$'000 |
|---|---|---|---|
| 2010 | | | |
| If Hong Kong dollar weakens against New Taiwan dollar | 5 | (77) | – |
| If Hong Kong dollar weakens against Brunei dollar | 5 | 134 | – |
| If Hong Kong dollar weakens against Singapore dollar | 5 | 250 | – |
| If Hong Kong dollar weakens against Renminbi | 5 | 10 | – |
| If Hong Kong dollar weakens against Indonesian Rupiah | 5 | 473 | – |
| If Hong Kong dollar weakens against Swiss Franc | 5 | (23) | – |
| If Hong Kong dollar strengthens against New Taiwan dollar | 5 | 77 | – |
| If Hong Kong dollar strengthens against Brunei dollar | 5 | (134) | – |
| If Hong Kong dollar strengthens against Singapore dollar | 5 | (250) | – |
| If Hong Kong dollar strengthens against Renminbi | 5 | (10) | – |
| If Hong Kong dollar strengthens against Indonesian Rupiah | 5 | (473) | – |
| If Hong Kong dollar strengthens against Swiss Franc | 5 | 23 | – |

* Excluding retained profits

### Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

## 47. Financial risk management objectives and policies *(continued)*

**Liquidity risk** *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

**Group**

| | **2011**<br>**On demand**<br>**HK$'000** | **Within 1 year**<br>**HK$'000** | **More than 1 year but less than 5 years**<br>**HK$'000** | **Over 5 years**<br>**HK$'000** | **Total**<br>**HK$'000** |
|---|---|---|---|---|---|
| Trade payables | **–** | **388,443** | **–** | **–** | **388,443** |
| Financial liabilities included in other payables and accruals (note 29) | **–** | **126,711** | **–** | **–** | **126,711** |
| Interest-bearing bank and other borrowings | **6,165** | **242,964** | **11,790** | **–** | **260,919** |
| Due to an associate | **2,899** | **–** | **–** | **–** | **2,899** |
| Due to fellow subsidiaries | **3,006** | **–** | **–** | **–** | **3,006** |
| Loan from a shareholder | **–** | **–** | **12,230** | **–** | **12,230** |
| ICULS (interest payments) | **–** | **15,794** | **221,114** | **221,114** | **458,022** |
| | **12,070** | **773,912** | **245,134** | **221,114** | **1,252,230** |

| | 2010<br>On demand<br>HK$'000<br>(Restated) | Within 1 year<br>HK$'000<br>(Restated) | More than 1 year but less than 5 years<br>HK$'000<br>(Restated) | Over 5 years<br>HK$'000<br>(Restated) | Total<br>HK$'000 |
|---|---|---|---|---|---|
| Trade payables | – | 260,515 | – | – | 260,515 |
| Financial liabilities included in other payables and accruals (note 29) | – | 78,264 | – | – | 78,264 |
| Interest-bearing bank and other borrowings | 6,345 | 157,455 | 2,663 | – | 166,463 |
| Due to an associate | 2,262 | – | – | – | 2,262 |
| Due to fellow subsidiaries | 1,040 | – | – | – | 1,040 |
| Loan from a shareholder | – | – | 11,840 | – | 11,840 |
| ICULS (interest payments) | – | 21,300 | 267,138 | 341,688 | 630,126 |
| | 9,647 | 517,534 | 281,641 | 341,688 | 1,150,510 |

## 47. Financial risk management objectives and policies *(continued)*

### Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

**Company**

| | **2011**<br>**On demand**<br>**HK$'000** | **Within 1 year**<br>**HK$'000** | **More than 1 year but less than 5 years**<br>**HK$'000** | **Over 5 years**<br>**HK$'000** | **Total**<br>**HK$'000** |
|---|---|---|---|---|---|
| Interest-bearing bank borrowings | **6,165** | **–** | **–** | **–** | **6,165** |
| Other payables (note 29) | **–** | **216** | **286** | **–** | **502** |
| Due to subsidiaries | **1,265** | **–** | **–** | **–** | **1,265** |
| Loan from a shareholder | **–** | **–** | **12,230** | **–** | **12,230** |
| ICULS (interest payments) | **–** | **15,794** | **221,114** | **221,114** | **458,022** |
| | **7,430** | **16,010** | **233,630** | **221,114** | **478,184** |

| | 2010<br>On demand<br>HK$'000<br>(Restated) | Within 1 year<br>HK$'000<br>(Restated) | More than 1 year but less than 5 years<br>HK$'000<br>(Restated) | Over 5 years<br>HK$'000<br>(Restated) | Total<br>HK$'000 |
|---|---|---|---|---|---|
| Interest-bearing bank borrowings | 6,345 | – | – | – | 6,345 |
| Other payables (note 29) | – | 378 | 275 | – | 653 |
| Due to subsidiaries | 4,786 | – | – | – | 4,786 |
| Loan from a shareholder | – | – | 11,840 | – | 11,840 |
| ICULS (interest payments) | – | 21,300 | 267,138 | 341,688 | 630,126 |
| | 11,131 | 21,678 | 279,253 | 341,688 | 653,750 |

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 April 2011 and 2010.

## 47. Financial risk management objectives and policies *(continued)*

### Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes interest-bearing bank borrowings less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

**Group**

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Interest-bearing bank borrowings | **259,751** | 166,000 |
| Less: Cash and cash equivalents | **(208,203)** | (135,212) |
| Net debt | **51,548** | 30,788 |
| Equity attributable to owners of the parent | **1,065,389** | 649,463 |
| Capital and net debt | **1,116,937** | 680,251 |
| Gearing ratio | **4.6%** | 4.5% |

## 48. Events after the reporting period

(a) On 15 July 2011, the Company, as guarantor, entered into a facility agreement with a bank relating to a 5 years term loan facility of up to RM100,000,000 (equivalent to HK$261,370,000) granted to a subsidiary.

(b) On 18 July 2011, the Company announced that CCB, the controlling shareholder of the Company, is considering the privatisation of the Company which may result in the delisting of the Company's shares from the Main Board of The Stock Exchange of Hong Kong Limited ("Possible Privatisation"). The Company has been informed by CCB that if they are to proceed with the Possible Privatisation, it is envisaged that it would be at a cash consideration of HK$1.10 per Company's share and HK$1.10 per HK$0.20 nominal amount of ICULS. Further details of the Possible Privatisation are set out in the Company's announcement dated 18 July 2011.

## 49. Comparative amounts

As further explained in notes 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 May 2009 has been presented.

## 50. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 26 July 2011.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

## Results

| | Year ended 30 April | | | | |
|---|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | 2009 HK$'000 (Restated) | 2008 HK$'000 (Restated) | 2007 HK$'000 (Restated) |
| REVENUE | **3,368,483** | 2,329,278 | 1,726,896 | 1,324,375 | 1,005,533 |
| PROFIT BEFORE TAX | **352,724** | 283,110 | 178,553 | 151,202 | 94,123 |
| Tax | **(81,609)** | (60,885) | (42,702) | (40,733) | (25,971) |
| PROFIT FOR THE YEAR | **271,115** | 222,225 | 135,851 | 110,469 | 68,152 |
| Attributable to: | | | | | |
| Owners of the parent | **268,669** | 211,756 | 120,937 | 102,134 | 63,303 |
| Non-controlling interests | **2,446** | 10,469 | 14,914 | 8,335 | 4,849 |
| | **271,115** | 222,225 | 135,851 | 110,469 | 68,152 |

## Assets, liabilities and non-controlling interests

| | As at 30 April | | | | |
|---|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | 2009 HK$'000 (Restated) | 2008 HK$'000 (Restated) | 2007 HK$'000 (Restated) |
| TOTAL ASSETS | **2,447,187** | 1,747,877 | 955,844 | 737,823 | 612,796 |
| TOTAL LIABILITIES | **(1,367,331)** | (1,086,243) | (459,591) | (321,632) | (313,585) |
| NON-CONTROLLING INTERESTS | **(14,467)** | (12,171) | (37,914) | (27,030) | (17,717) |
| | **1,065,389** | 649,463 | 458,339 | 389,161 | 281,494 |

# PARTICULARS OF PROPERTIES

30 April 2011

## Investment properties

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| **Hong Kong**<br>Units 726, 728, 729, 731, 735, 736, 739, 740, 741, 742, 743, 744, 745, 747, 748, 749, 750, 751, 753, 754, 755, 756 and 757 on 7/F., Star House, 3 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong | Commercial | Long term lease | 100% |
| Units 1 and 2, 17/F., and car parking space No. L5 on Lower G/F., Wah Sing Industrial Building, 12-14 Wah Sing Street, Kwai Chung, New Territories, Hong Kong | Industrial | Medium term lease | 100% |
| Units 83 and 84, 2/F., Houston Centre, 63 Mody Road, Tsimshatsui, Kowloon, Hong Kong | Commercial | Long term lease | 100% |
| **Mainland China**<br>Unit 803, Block C and car parking space No. 10, Xiagang Garden, 32 Xiagang New Village, Siming District, Xiamen, Fujian Province, the People's Republic of China | Residential | Long term lease | 100% |
| **Malaysia**<br>89 strata shop lots located on ground, first and second floor of Wisma Cosway, No. 88, Jalan Raja Chulan, Kuala Lumpur, Malaysia | Commercial | Freehold | 100% |
| 29 strata shop lots located on ground, first, second and third floors, 28 strata office units, 7 apartment units, 34 storerooms and 421 car park spaces of Wisma Cosway, No. 88, Jalan Raja Chulan, Kuala Lumpur, Malaysia | Commercial | Freehold | 100% |

# PARTICULARS OF PROPERTIES

30 April 2011

## Investment properties *(continued)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| **Taiwan** | | | |
| No. 1067 Shanshuinan Section, Magong City, Penghu County, Taiwan | Industrial | Freehold | 100% |
| **Brazil** | | | |
| The lands and buildings, Nos. 144 and 198 Rua São Paulo, Alphaville District, Municipality of Barueri – SP, São Paulo Metropolitan Region, Brazil | Industrial | Freehold | 100% |
| Apartment 1304, 13th Floor and 2 carparking spaces on basement Levels 1 and 2, Edificio San Francisco, No. 152 Alameda Cauaxi, Alphaville District, Municipality of Barueri, São Paulo Metropolitan Region, Brazil | Residential | Freehold | 100% |
| Ground Floor and Lower Ground Floor, Shop 12, Block D, Quadrant 716, SCRN – Setor Comercial Residencial Norte, Asa Norte, Brasilia – DF, Brazil | Commercial | Freehold | 100% |
| Ground Floor and Mezzanine Floor, Residencial Piemonte, Rua No. 919 Rio Grande do Norte, Funcionários District, Belo Horizonte, State of Minas Gerais, Brazil | Commercial | Freehold | 100% |

COSWAY CORPORATION LIMITED