



Convenience Retail Asia Limited

利亞零售有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 08052

First Quarterly Report 2008



利亞零售



Member of the Li & Fung Group



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report (the “Report”), for which the Directors of Convenience Retail Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Convenience Retail Asia Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this Report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this Report misleading; and (3) all opinions expressed in this Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2008**

		2008	2007
• Revenue	+30.5%	HK\$778,617,000	HK\$596,765,000
• Profit attributable to shareholders of the Company	+14.3%	HK\$13,697,000	HK\$11,980,000
• Earnings per share	+8.7%	HK1.88 cents	HK1.73 cents

HIGHLIGHTS

- Healthy sales growth supported by strong consumer sentiments in Hong Kong and Guangzhou.
- The Group operated a total of 473 stores in the Pearl River Delta including 373 Circle K stores and 100 Saint Honore stores as of 31 March 2008.
- Net cash position of HK\$410.1 million as of 31 March 2008.

NUMBER OF OUTLETS AS OF 31 MARCH 2008

Circle K Convenience Stores

Hong Kong	271
Guangzhou	63
Dongguan	8
Shenzhen	5
Subtotal	347

Franchised Circle K Stores

Macau	16
Zhuhai	10
Subtotal	26

Total number of Circle K Outlets	373
---	------------

Saint Honore Group

Hong Kong – Cake Shop	70
– Bread Boutique	14

Subtotal	84
-----------------	-----------

Macau – Cake Shop	7
Guangzhou – Cake Shop	9

Subtotal	16
-----------------	-----------

Total number of Saint Honore Outlets	100
---	------------

Total number of Stores under Convenience Retail Asia	473
---	------------



CHAIRMAN'S STATEMENT

Financial Review

I am pleased to report the unaudited results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the first quarter of 2008.

During the first quarter of 2008, the Group's turnover increased by 30.5% to HK\$778.6 million when compared to the same period last year. The increase in turnover was achieved by the addition of new stores and an increase in sales of comparable stores (stores in existence throughout the first quarter of both 2007 and 2008), as well as the consolidation of the Saint Honore operations. Comparable convenience stores sales in Hong Kong and Southern China increased by 7.3% and 23.2% respectively over the same quarter last year.

Gross margin and other income excluding interest income as a percentage of turnover increased to 35.2% during the first quarter, comparing to 34.4% achieved in the same period last year. Higher margin bakery sales from Saint Honore had a positive impact on the overall gross margin of the Group.

The operating expenses increased from 32.4% to 33% of turnover for the first quarter when compared to 2007. This was mainly impacted by the consolidation of the Saint Honore operations which have a higher cost structure.

The Group recorded a net profit attributable to shareholders of HK\$13.7 million during the quarter, representing an increase of 14.3% over the same period last year.


Review of Hong Kong Operations

During the first quarter of 2008, the retail market in Hong Kong continued to report healthy growth, following the robust economic trend established in 2007 when GDP recorded an impressive 6.3%¹ growth over 2006.

Rising incomes, improved job market and sustained expansion of inbound tourism continued to support the retail business, with the unemployment rate at 3.4%² and the underemployment rate at 1.9%². However, the effect of global financial market adjustments on Hong Kong's economy must be monitored vigilantly in the next few months.

1 *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 25 March 2008.*

2 *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 17 April 2008.*



An unexpected development in the first quarter was the accelerating price inflation, reflected by the Consumer Price Index which reached a height of 6.3%³ in February and eased off to 4.2%³ in March compared with a year earlier due to large increases in the prices of basic foodstuffs. One of the reasons for the increases was mainly due to the impact of the mid-January snowstorms on agricultural crops on the Chinese Mainland. The sudden surge in food, fuel and other raw material costs had a negative impact on the Group's overall operating costs, putting increased pressure on net profit margins in the short term.

To mitigate the inflationary trend, the Group conducted regular price reviews for all affected product categories, especially food services, in order to neutralise the negative impact on margins.

Despite the extended cold weather affecting Hong Kong in January and February – which normally would have a negative impact on turnover sales – the Group is able to report 7.3% comparable store sales growth year-on-year for the first quarter. This satisfactory sales performance was made possible by the fact that sales decreases suffered by packaged ice-creams, beer and packaged drinks due to the cold weather were more than compensated by the healthy growth in confectionery, snacks, publication and tobacco sales generated by non-stop promotional activities.

During the first quarter, the retail rental market in Hong Kong continued its relentless rental escalation. The Group was compelled to give up store sites in a few cases when the increases in rental were impossible to justify. Overall the Group was able to keep the average rental increase within an acceptable level.

Review of Guangzhou Operations

The pace of economic growth on the Chinese Mainland has begun to show some signs of slowing with a 10.6%⁴ GDP growth in the first quarter of 2008, compared to the 11.9%⁵ GDP growth in 2007.

The slowdown was due to a decline in external trade resulting from global economic instability and market adjustments. However, the decrease in the volume of external trade was partly offset by rising domestic demand, fueled by the robust national economy.

Chinese New Year festivities and the golden week holiday saw the retail market record a peak sales period in the first quarter. Retail sales for the first two months of 2008 increased by 17.1%⁶ in Guangzhou compared with the same period last year. Notable growth was registered in the sales of food, drinks, tobacco and alcohol which, taken as a whole, registered a 22.6%⁶ year-on-year increase.

³ *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 22 April 2008.*

⁴ *Published by the National Bureau of Statistics of China on 16 April 2008.*

⁵ *Published by the National Bureau of Statistics of China on 10 April 2008.*

⁶ *Published by the Statistics Bureau of Guangzhou on 26 March 2008.*



Positive consumer sentiment provided a favourable market environment for the Group's operations in Guangzhou. For the first quarter of 2008 the Group's comparable store sales grew by a healthy 23.2% compared to the same period in 2007. Key categories that contributed to the growth were confectionery, snacks, packaged drinks and food services.

As in Hong Kong, an unexpected challenge for the operation team in Guangzhou was the escalating food prices. The Consumer Price Index increased to 8%⁴ in the first quarter compared to the same period last year, hitting a peak of 8.7%⁷ in February and slightly dropped to 8.3%⁴ in March. Specific food items such as wheat flour reported over 40% price increases at one point, while the food category as a whole registered a 21.0%⁴ in the first quarter, compared with the same period last year.

The Group exercised extra vigilance against this inflationary backdrop by constantly reviewing product pricing and cost control to counteract unexpected and erratic price increases.

The Saint Honore Operations

At the end of the first quarter, it had been one year since the Group acquired Saint Honore. During the year the Group was able to fully integrate the Saint Honore operations with the Circle K operations.

Almost twenty new Saint Honore cake shops have been opened in Hong Kong, Guangzhou and Macau since March 2007. These new stores not only presented a more contemporary store design and a more eye-catching frontage but also highlighted the on-site bakery and the availability of freshly baked bread, which are Saint Honore's strongest competitive edge. The Group also rolled out a programme to renovate the existing Saint Honore stores in order to rejuvenate the brand's image and to achieve consistency in store design.

In the longer term the initiatives undertaken to integrate the Saint Honore operations will contribute to the improvement of the Group's overall financial performance.

Business Outlook

In both Hong Kong and Guangzhou, price inflation will become an established trend especially in the raw materials, food stuff and energy categories. If unabated, these steep price increases will continue to exert pressure on the Group's profitability in the coming months. The Group will devote considerable management efforts on cost control and price reviews to mitigate the situation.

7 *Published by the National Bureau of Statistics of China on 26 March 2008.*



To achieve significant comparable store sales growth in Hong Kong will be a challenge for the management team given the higher sales turnover base achieved in 2007 through an aggressive advertising and promotion programme. To sustain sales momentum and consolidate the brand-building initiatives launched in 2007, it is anticipated that the Group will continue to invest in a strategic advertising and promotional programmes to support the “Always Something New” brand positioning and marketing platform.

In Guangzhou the Group’s strategic focus is to roll out the franchising model that has been duly tested there. By the end of the year, the Group will be able to assess the financial feasibility and business effectiveness of such a business model for the Guangzhou market.

In parallel to these organic business developments, the Group is currently devoting considerable resources to the negotiation and assessment of new business opportunities in various markets on the Chinese Mainland which would fulfill the strategic criteria of business synergy and geographical proximity to the Group’s current operations.

Fung Kwok King, Victor

Chairman

Hong Kong, 7 May 2008



Executive Directors:

Mr. Yeung Lap Bun, Richard (*Chief Executive Officer*)

Mr. Li Kwok Ho, Bruno (*Chief Financial Officer*)

Non-Executive Directors:

Dr. Fung Kwok King, Victor (*Chairman*)

Dr. Fung Kwok Lun, William

Mr. Godfrey Ernest Scotchbrook

Mr. Jeremy Paul Egerton Hobbins

Ms. Wong Yuk Nor, Louisa

Independent Non-Executive Directors:

Dr. Ch'ien Kuo Fung, Raymond

Mr. Au Man Chung, Malcolm

Mr. Lo Kai Yiu, Anthony

Group Chief Compliance Officer:

Mr. Siu Kai Lau, James

Company Secretary:

Miss Li Sau Ping, Maria

RESULTS

The Board of Directors (“the Board”) is pleased to announce the unaudited results of the Group for the three months ended 31 March 2008, together with the comparative unaudited figures for the corresponding period ended 31 March 2007 as follows:

		Three months ended 31 March	
	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Revenue	2	778,617	596,765
Cost of sales		<u>(550,195)</u>	<u>(440,760)</u>
Gross profit		228,422	156,005
Other income	2	47,021	52,274
Store expenses		(204,127)	(156,569)
Distribution costs		(18,642)	(11,633)
Administrative expenses		<u>(34,392)</u>	<u>(25,429)</u>
Operating profit		18,282	14,648
Finance costs	3	<u>–</u>	<u>(300)</u>
Profit before income tax		18,282	14,348
Income tax expenses	4	<u>(4,585)</u>	<u>(3,666)</u>
Profit for the period		<u><u>13,697</u></u>	<u><u>10,682</u></u>
Profit attributable to:			
Shareholders of the Company		13,697	11,980
Minority interests		<u>–</u>	<u>(1,298)</u>
		<u><u>13,697</u></u>	<u><u>10,682</u></u>
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	6	<u><u>HK1.88 cents</u></u>	<u><u>HK1.73 cents</u></u>

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2007. The Group has adopted new/revised standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 January 2008. The adoption of such new/revised standards and interpretations does not have material impact on the accounts and does not result in substantial changes to the Group's accounting policies.

2. Revenue and other income

The Group is principally engaged in the operation of a chain of convenience stores and bakeries. Revenues recognised during the three months ended 31 March 2008 are as follows:

	(Unaudited) Three months ended 31 March	
	2008 HK\$'000	2007 HK\$'000
Revenue		
Merchandise sales revenue	627,743	554,132
Bakery sales revenue	150,874	42,633
	<u>778,617</u>	<u>596,765</u>
Other income		
Supplier rebate and promotion fees	34,080	38,058
Service items and miscellaneous income	11,550	10,963
Interest income	1,391	3,253
	<u>47,021</u>	<u>52,274</u>

3. Finance costs

	(Unaudited) Three months ended 31 March	
	2008 HK\$'000	2007 HK\$'000
Interest expenses on bank loans	<u>–</u>	<u>300</u>

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months ended 31 March 2008 and 2007. Taxation on overseas profits has been calculated on the estimated assessable profits for the three months ended 31 March 2008 and 2007 at the rates prevailing in the countries in which the Group operates.

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	(Unaudited) Three months ended 31 March	
	2008 HK\$'000	2007 HK\$'000
Current income tax		
– Hong Kong profits tax	4,860	2,573
– Overseas profits tax	60	(57)
Deferred income tax	<u>(335)</u>	<u>1,150</u>
	<u>4,585</u>	<u>3,666</u>

5. Dividend

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).

6. Earnings per share

The calculation of the Group's basic earnings per share for the three months ended 31 March 2008 is based on the unaudited consolidated profit attributable to shareholders of the Company of HK\$13,697,000 (2007: HK\$11,980,000).

The basic earnings per share is based on the weighted average number of 729,275,359 (2007: 691,374,925) shares of HK\$0.10 each (the "shares") in issue during the three months ended 31 March 2008.

Diluted earnings per share for the three months ended 31 March 2008 and 2007 are not shown as there is no dilutive effect arising from the share options granted by the Company.

7. Loss attributable to shareholders from convenience store operations in Chinese Mainland

Included in profit attributable to shareholders of the Company, there is a loss of HK\$9,151,000 (2007: HK\$5,604,000) from the Group's convenience store operations in Chinese Mainland.

8. Reserves

Movement in reserves of the Group during the three months ended 31 March 2008 is as follows:

	(Unaudited) Three months ended 31 March						2007	
	2008							
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Total HK\$'000
At 1 January	280,035	177,087	13,433	7,652	4,276	172,212	654,695	461,316
Issue of shares	799	-	-	-	-	-	799	1,284
Acquisition of subsidiaries	-	-	-	-	-	-	-	139,914
Employee share option benefit	160	-	-	1,150	-	9	1,319	302
Exchange differences	-	-	-	-	2,769	-	2,769	(63)
Profit for the period	-	-	-	-	-	13,697	13,697	11,980
At 31 March	280,994	177,087	13,433	8,802	7,045	185,918	673,279	614,733
Representing:								
Reserves							633,136	578,517
Final dividend							40,143	36,216
							673,279	614,733

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND CERTAIN MAJOR ASSOCIATED CORPORATIONS

As at 31 March 2008, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations (*Note 1*) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules and/or the Code of Conduct for dealings in securities adopted by the Company, were as follows:

The Company

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
	(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	373,692,000	–	Corporate (<i>Note 2</i>)	51.22%
Dr. Fung Kwok Lun, William	373,692,000	–	Corporate (<i>Note 2</i>)	51.22%
Mr. Yeung Lap Bun, Richard	19,196,000	1,200,000 (<i>Note 3</i>)	Personal/ beneficiary	2.80%
Mr. Li Kwok Ho, Bruno	2,676,000	600,000 (<i>Note 4</i>)	Personal/ beneficiary	0.45%
Ms. Wong Yuk Nor, Louisa	1,588,000	600,000 (<i>Note 5</i>)	Personal/ beneficiary	0.30%
Dr. Ch'ien Kuo Fung, Raymond	1,000,000	–	Personal/ beneficiary	0.14%
Mr. Jeremy Paul Egerton Hobbins	180,000	–	Personal/ beneficiary	0.02%

Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
			(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate (Note 6)	100%
	LiFung Trinity Limited	Ordinary share	1	–	Corporate (Note 7)	100%
	Trinity Limited	Ordinary shares	799,673,555	–	Corporate (Note 8)	66.35%
Dr. Fung Kwok Lun, William	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate (Note 6)	100%
	LiFung Trinity Limited	Ordinary share	1	–	Corporate (Note 7)	100%
	Trinity Limited	Ordinary shares	799,673,555	–	Corporate (Note 8)	66.35%
Mr. Jeremy Paul Egerton Hobbins	Trinity Limited	Ordinary shares	4,234,500	–	Corporate (Note 9)	0.35%

Notes:

1. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun Holdings Limited (“King Lun”) and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance from Rule 18.69 of the GEM Listing Rules for the disclosure of Directors’ interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 21 April 2008. Accordingly, the companies under the section headed “Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations” are only the major associated corporations of the Company and are not intended to be exhaustive.
2. King Lun through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited (“LFR”) (a wholly owned subsidiary of Li & Fung (1937) Limited (“LF (1937)”) held 373,692,000 shares in the Company. 50% of the issued share capital of King Lun is owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor, the remaining 50% is owned by Dr. Fung Kwok Lun, William.
3. On 3 May 2007, Mr. Yeung Lap Bun, Richard was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 1,200,000 shares at an exercise price of HK\$3.39 per share. The options are to be vested in Mr. Yeung Lap Bun, Richard in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Subject to confirmation of vesting, the options in relation to the performance year 2007 would be exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.
4. On 3 May 2007, Mr. Li Kwok Ho, Bruno was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK\$3.39 per share. The options are to be vested in Mr. Li Kwok Ho, Bruno in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Subject to confirmation of vesting, the options in relation to the performance year 2007 would be exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.
5. On 3 May 2007, Ms. Wong Yuk Nor, Louisa was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK\$3.39 per share. The options are to be vested in Ms. Wong Yuk Nor, Louisa in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Subject to confirmation of vesting, the options in relation to the performance year 2007 would be exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.
6. King Lun through its wholly owned subsidiary, LF (1937) held 13,800,000 shares in Li & Fung (Distribution) Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in Note 2 above.
7. King Lun through its indirect wholly owned subsidiary, LFR (a wholly owned subsidiary of LF (1937)) held 1 share in LiFung Trinity Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in the share through their respective interests in King Lun and LF (1937) and indirect interests in LFR as set out in Note 2 above.

8. King Lun through its indirect wholly owned subsidiary, LiFung Trinity Limited (a wholly owned subsidiary of LFR) held 799,673,555 shares in Trinity Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun, LF (1937), LFR and LiFung Trinity Limited as set out in Notes 2 & 7 above.
9. 4,234,500 shares in Trinity Limited were held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton Hobbins.

Save as disclosed above, as at 31 March 2008, none of the Directors, chief executives and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

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

As at 31 March 2008, the interests and short positions of the substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Long positions in shares

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
King Lun Holdings Limited	373,692,000	Corporate (Note 1)	51.22%
Commonwealth Bank of Australia	54,712,000	Corporate (Note 2)	7.50%
Aberdeen Asset Management Plc and its Associates	55,916,000	Other (Note 3)	7.66%
Arisaig Greater China Fund Limited ("Arisaig China")	89,346,000	Other	12.25%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	89,346,000	Other (Note 4)	12.25%
Cooper Lindsay William Ernest ("Mr. Cooper")	89,346,000	Corporate (Note 5)	12.25%



Notes:

1. These shares were held by LFR. King Lun indirectly owns 100% interests in LFR through its wholly owned subsidiary, LF (1937). All of King Lun, LFR and LF (1937) are taken to be interested in the shares pursuant to SFO. Please refer to Note 2 in the above section headed “Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations”.
2. These shares were indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Holding Company Ltd, Commonwealth Insurance Holdings Ltd, Colonial First State Group Ltd, First State Investments (UK Holdings) Ltd, SI Holdings Ltd, First State Investment Management (UK) Ltd and First State Investments International Ltd.
3. Aberdeen Asset Management Plc and its Associates (together “the Aberdeen Group”) held the shares on behalf of accounts managed by the Aberdeen Group.
4. These shares were held by Arisaig China of which Arisaig Partners is the fund manager.
5. These shares were held by Arisaig China. Arisaig Partners, which is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely Madelene Ltd. (100%), Arisaig Partners (Holdings) Ltd. (33.33%) and Arisaig Partners (BVI) Limited (100%), is the fund manager of Arisaig China.

Save as disclosed above, as at 31 March 2008, the Company had not been notified of any substantial shareholders’ interests or short positions which are required to be kept under section 336 of SFO.

AUDIT COMMITTEE

The Audit Committee was established in January 2001 with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. The Audit Committee is responsible for reviewing the Group’s financial reporting, internal controls, corporate governance and risk management matters and making recommendations to the Board.

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ch’ien Kuo Fung, Raymond (Chairman of the Committee), Mr. Au Man Chung, Malcolm, Mr. Lo Kai Yiu, Anthony, and two non-executive Directors, namely Mr. Godfrey Ernest Scotchbrook and Mr. Jeremy Paul Egerton Hobbins. All committee members possess appropriate professional qualifications, accounting and related financial management expertise as required under the GEM Listing Rules.

The Audit Committee has met and reviewed with management this unaudited quarterly report for the three months ended 31 March 2008 before recommending it to the Board for approval.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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