LOTUS
卜蜂莲花

C.P. Lotus Corporation
卜蜂蓮花有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00121)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of C.P. Lotus Corporation (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2012 (the "Period") together with the comparative figures in 2011 were as follows:

Condensed Consolidated Statement of Comprehensive Income

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Turnover	*2*	**5,346,145**	4,974,720
Cost of sales		**(4,460,838)**	(4,101,778)
Gross profit		**885,307**	872,942
Other revenue	*3*	**234,267**	186,020
Other net (loss)/income	*4*	**(1,718)**	12,682
Distribution and store operating costs		**(952,795)**	(800,095)
Administrative expenses		**(191,550)**	(178,792)
(Loss)/profit from operation		**(26,489)**	92,757
Finance costs	*5*	**(50,588)**	(73,740)
(Loss)/profit before taxation	*6*	**(77,077)**	19,017
Income tax	*7*	**(1,703)**	(432)
(Loss)/profit for the period		**(78,780)**	18,585

Condensed Consolidated Statement of Comprehensive Income (Continued)

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Other comprehensive (loss)/income			
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")		**(6,867)**	21,351
Cash flow hedge: Effective portion of changes in fair value		**-**	518
		(6,867)	21,869
Total comprehensive (loss)/income for the period		**(85,647)**	40,454
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company		**(78,698)**	18,585
Non-controlling interests		**(82)**	-
		(78,780)	18,585
Total comprehensive (loss)/income for the period attributable to:			
Equity shareholders of the Company		**(85,565)**	40,454
Non-controlling interests		**(82)**	-
		(85,647)	40,454
(Loss)/earnings per share	*9*		
- Basic		**(0.38) RMB cent**	0.12 RMB cent
- Diluted		**(0.38) RMB cent**	0.11 RMB cent

Condensed Consolidated Statement of Financial Position

	Notes	**Unaudited 30 June 2012** *RMB'000*	Audited 31 December 2011 *RMB'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment		**1,626,524**	1,530,810
- Interests in leasehold land held for own use under operating leases		**157,387**	160,533
		1,783,911	1,691,343
Intangible assets		**225,756**	201,082
Goodwill		**3,154,280**	2,719,785
Prepaid lease payments for premises		**3,000**	6,000
Other long-term prepayments		**5,131**	7,342
Deferred tax assets		**119,612**	113,717
		5,291,690	4,739,269
Current assets			
Prepaid lease payments for premises		**5,763**	11,145
Inventories		**789,291**	1,177,056
Trade and other receivables	*10*	**716,269**	580,257
Pledged bank deposits		**137,590**	143,179
Cash and cash equivalents		**366,818**	242,380
		2,015,731	2,154,017
Assets classified as held for sale	*11*	**-**	15,927
		2,015,731	2,169,944
Current liabilities			
Trade and other payables	*12*	**3,292,401**	3,775,680
Bank loans		**26,014**	74,953
Other loans		**132,327**	117,093
Obligations under finance leases		**6,052**	6,052
Current taxation		**850**	18,899
Provisions		**-**	267
		3,457,644	3,992,944
Net current liabilities		**(1,441,913)**	(1,823,000)
Total assets less current liabilities		**3,849,777**	2,916,269
Non-current liabilities			
Bank loans		**1,239,907**	687,441
Obligations under finance leases		**184,155**	187,107
Deferred tax liabilities		**45,761**	39,236
		1,469,823	913,784
NET ASSETS		**2,379,954**	2,002,485
CAPITAL AND RESERVES			
Share capital		**386,424**	340,614
Reserves		**1,991,665**	1,659,924
Total equity attributable to equity shareholders of the Company		**2,378,089**	2,000,538
Non-controlling interests		**1,865**	1,947
TOTAL EQUITY		**2,379,954**	2,002,485

Notes to Condensed Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The interim financial statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the 2011 annual financial statements.

The accounting policies used in the condensed financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting Period of the Group and the Company. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs and Interpretations. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRS 7 and HKAS 12 in the current accounting Period have had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new standard, interpretation and amendments to HKFRSs that is not yet effective for the current accounting period.

2. TURNOVER AND SEGMENT INFORMATION

The principal activity of the Group is the operation of hypermarket stores in the PRC. Turnover represents the net amounts received and receivable for goods sold by the Group to external customers, less returns, discounts and value added taxes.

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

All revenue from external customers is generated in the PRC and all significant operating assets of the Group are located in the PRC. Accordingly, the Group has a single operating and reportable segment – operation of hypermarket stores in the PRC.

3. OTHER REVENUE

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Leasing income of store premises	**180,646**	136,339
Other promotion and services income	**33,970**	35,450
Interest income	**4,206**	3,223
Government grants	**15,445**	11,008
	234,267	186,020

4. OTHER NET (LOSS)/INCOME

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Foreign exchange gain	**2,573**	7,877
Net (loss)/income from store lease cancellations	**(2,557)**	5,978
Net loss on disposal of fixed assets	**(1,734)**	(1,173)
	(1,718)	12,682

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Finance costs:		
Interest on borrowings wholly repayable within five years:		
- Bank loans	**4,247**	44,554
- Other loans	**5,322**	6,260
Interest on bank loan repayable after five years	**18,726**	-
Finance charges on obligations under finance leases	**9,477**	9,743
Total interest expense on financial liabilities not at fair value through profit or loss	**37,772**	60,557
Loan arrangement, guarantee and other fees	**12,816**	13,183
	50,588	73,740

6. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**93,001**	89,216
Amortisation		
- Land lease premium	**3,147**	3,147
- Intangible assets	**6,576**	5,355
Cost of inventories sold	**4,460,838**	4,101,778
Loss on disposal of property, plant and equipment, net	**1,734**	1,173
and crediting:		
Interest income	**(4,206)**	(3,223)

7. INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current tax – PRC		
Provision for the period	**4,341**	309
Deferred tax		
Reversal and origination of temporary differences	**(2,638)**	123
Taxation charge	**1,703**	432

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the Period.

Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2011: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
(Loss)/Earnings		
(Loss)/profit for the period attributable to equity shareholders of the Company used in the calculation of basic and diluted (loss)/earnings per share	**(78,698)**	18,585

Shares

The weighted average number of shares is calculated based on the following data:

	Unaudited	
	Six months ended 30 June	
	2012	2011
Number of ordinary shares in issues	**9,296,003,607**	9,184,414,410
Number of Series A convertible preference shares in issue	**1,518,807,075**	1,518,807,075
Number of Series B convertible preference shares in issue	**3,897,110,334**	3,897,110,334
Number of Series C convertible preference shares in issue	**3,672,926,137**	-
Effect of Series C convertible preference shares issued on 23 December 2011 (note (i))	-	465,982,038
Number of Series D convertible preference shares in issued on 1 January 2012	**2,211,382,609**	-
Weighted average number of ordinary shares and convertible preference shares for the purposes of calculating basic (loss)/earnings per share	**20,596,229,762**	15,066,313,857
Effect of share options	**-**	1,101,583,065
Weighted average number of ordinary shares and convertible preference for the purposes of calculating diluted (loss)/earnings per share	**20,596,229,762**	16,167,896,922

Notes :

(i) As the Series C convertible preference shares were issued at a discount on the Company's share prices, the number of shares in issue for 2011 has been retrospectively adjusted for the bonus element included in the open offer.

(ii) The holders of the convertible preference shares are entitled to receive the same dividends as the holders of ordinary shares.

(iii) The diluted loss per share for the current accounting Period was the same as the basic loss per share as all potential ordinary shares were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Trade receivables, other receivables and deposits	**244,852**	221,331
Amounts due from related companies	**471,417**	358,926
	716,269	580,257

Sales to retail customers are mainly made in cash or via major credit cards.

Included in trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) of approximately RMB46,251,000 (2011: approximately RMB28,271,000) with the following ageing analysis:

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Current	**36,737**	24,235
1 to 30 days overdue	**1,565**	2,031
31 to 60 days overdue	**2,885**	1,261
61 to 90 days overdue	**1,075**	101
Over 90 days	**3,989**	643
	46,251	28,271

11. ASSETS CLASSIFIED AS HELD FOR SALE

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Property, plant and equipment	-	11,830
Inventories	-	2,248
Trade and other receivables	-	1,849
	-	15,927

On 2 September 2011, the Company entered into an agreement with Whole Sino Limited ("Whole Sino"), a wholly-owned subsidiary of the Group's ultimate holding company, to dispose of the supermarket business of Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS") at the Madang Lu Store ("Madang Lu Store Business") at a consideration calculated as the sum of the book value of the fixed assets, the costs of inventories and other assets, less liabilities (if any), owned or held by SLS in relation to the Madang Lu Store Business, and not in any event to exceed RMB22,000,000. Accordingly, the assets disposed to Whole Sino have been separately classified in the consolidated statement of financial position. The disposal was completed on 1 March 2012. No material gain or loss arose from this transaction.

12. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
Notes payable	**176,278**	205,909
Creditors and accrued charges	**2,706,710**	3,216,285
Amounts due to related companies	**409,413**	350,211
Derivative cash flow hedging instruments	**-**	3,275
	3,292,401	3,775,680

Included in trade and other payables are trade creditors and notes payable of approximately RMB2,130,370,000 (2011: approximately RMB2,597,204,000) with the following ageing analysis:

	Unaudited	Audited
	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
Uninvoiced purchases	**785,028**	1,009,128
Within 30 days of invoice date	**1,248,546**	1,537,426
31 to 60 days after invoice date	**66,709**	32,784
61 to 90 days after invoice date	**5,692**	762
More than 90 days after invoice date	**24,395**	17,104
	2,130,370	2,597,204

13. ACQUISITION OF SUBSIDIARIES

On 1 January 2012, the Company acquired 100% interest in Excel Worth Limited ("Excel Worth") from Whole Sino. Excel Worth which, through its subsidiaries in the PRC, operates four hypermarkets in the PRC. The total consideration was satisfied by the allotment and issuance by the Company to Whole Sino of 2,211,382,609 Series D convertible preference shares.

Acquisition related costs amounting to RMB790,000 have been excluded from the cost of acquisition and have been recognised as expenses during the current accounting Period.

Fair value of assets and liabilities recognised at the date of acquisition:

	(Unaudited) *RMB'000*
Property, plant and equipment	85,710
Intangible assets	31,250
Inventories	62,365
Trade and other receivables	89,762
Cash and cash equivalents	21,163
Trade and other payables	(292,558)
Deferred tax liabilities	(3,267)
Net assets acquired	(5,575)
Goodwill on acquisition	434,495
Cost of acquisition	428,920
Total consideration, satisfied by issue of Series D convertible preference shares	428,920
Net cash inflow in respect of acquisition of subsidiaries - Cash and cash equivalents acquired	21,163

Included in the turnover and loss attributable to equity shareholders of the Company for current accounting Period is RMB357,969,000 and a profit of RMB16,456,000 from Excel Worth and its subsidiaries respectively.

The fair value of the convertible preference shares issued was determined based on a valuation report prepared by an independent third party valuer.

14. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with the current Period presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded net loss attributable to shareholders for the Period of RMB78.7 million (2011: profit of RMB18.6 million).

Turnover increased by RMB371.4 million or 7.5% to RMB5,346.1 million. The increase was due to revenue generated by the four hypermarkets in Wuxi, Xuzhou, Hefei and Changsha acquired from Whole Sino on 1 January 2012 (the "Acquisition") and the two new stores opened during the Period. Same store sales fell 2.9 %, the first six months had been a difficult half given the Chinese New Year calendar shift, the unseasonable weather, intensified competition and the softening of the economy in general. The increase in ticket was unable to compensate for the drop in customer counts.

Gross profit margin was 16.6% of sales (2011: 17.5%). Gross margin is comprised of front and back margin. Front margin is sales minus direct cost of sales; back margin represents income from suppliers such as discounts and allowances. Front margin dropped from 9.4% to 8.4% primarily a combined result of heavier mark-down and more promotion activities to reduce inventory which was stocked up in preparation for Chinese New Year; and the sale contribution from fresh increased while margin of this category dropped as we were not able pass on the higher cost in full to our customers in order not to further affect sales. The margin was also affected by the delay in negotiation of supplier contracts as the PRC government had set more stringent guidelines for fees chargeable, however, we do not expect any significant negative impact on the overall terms.

Other revenue comprised mainly lease income which is income received from leasing of store space. It increased by RMB44.3 million to RMB180.6 million, or 3.4% of sales (2011: 2.7%) as a result of the Acquisition, the opening of two new stores and higher rental charged upon lease renewal as we continued to renovate our stores and attract bigger name tenants.

Distribution and store operating costs was RMB952.8 million, approximately 17.8% of sales (2011: 16.1%). It comprised mainly stores rental, personnel expenses, utilities and depreciation and amortization charges for a total of RMB796.4 million and 5.2%, 6.1%, 1.8% and 1.8% of sales respectively. Personnel expenses increased by approximately RMB70.6 million to RMB326.7 million primarily as a result of increased in statutory minimum wages across China, the Acquisition and the opening of two new stores.

Administrative expenses were RMB191.6 million, or 3.6% of sales compared to RMB178.8 million, or 3.6% of sales in 2011. It mainly included personnel expenses of RMB133.4 million, depreciation and amortization charges of RMB8.9 million, rental of RMB10.6 million and professional fee of RMB6.1 million.

Financial expenses were RMB50.6 million, or 0.9% of sales, a decrease of 23.1 million from the corresponding period in 2011. The reduction was due to the repayment of bank and other loans utilizing the proceeds from the open offer.

Capital expenditure was RMB104.9 million for the Period under review, mainly in respect of opening of two new stores and store renovations.

Capital Structure

The Group finances its own working capital requirements through a combination of funds generated from operations, bank and other borrowings.

Liquidity and Finance Resources

During the Period under review, the Group's sources of funds were generated primarily from operating activities and banking facilities. As of 30 June 2012, the Group had net current liabilities of approximately RMB1,441.9 million (31 December 2011: RMB1,823.0 million), including cash and cash equivalents of approximately RMB366.8 million (31 December 2011: RMB242.4 million) and bank and other loans of approximately RMB1,398.2 million (31 December 2011: RMB879.5 million). Bank and other loans are mainly denominated in US dollars and RMB, and the interest rates are charged on a mix of floating and fixed rate basis. The current ratio, being the ratio of current assets to current liabilities was approximately 0.58 as of 30 June 2012 (31 December 2011: 0.54). We expect we will continue to have sufficient cash to meet our business needs.

Gearing Ratio

As of 30 June 2012, the gearing ratio of the Group was 0.59 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (31 December 2011: 0.44).

Foreign Currency Exposure

The directors consider that as the Group's retail operations are all based in the PRC, the Group is therefore not exposed to significant currency risk in its retail operations.

The Group is exposed to foreign currency risk from bank loans held by certain PRC subsidiaries, which are denominated in US dollars ("USD"). In respect of the USD bank loans borrowed in Hong Kong, as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate; and in respect of the USD bank loans borrowed by PRC subsidiaries, despite the recent fluctuations, RMB is expected to continue to appreciate in the coming years, the Group also does not expect any negative impact of foreign currency risk in the PRC subsidiaries. Therefore, the Group has not undertaken any foreign currency hedging activities. The Group however will monitor closely the USD/RMB exchange rate movements and will consider hedging the currency risk as and when necessary.

Contingent Liabilities

As at 30 June 2012, the Company had issued two guarantees to an independent third party which expire in 2025 and two guarantees to a bank which expire in April 2013 and July 2013 respectively in respect of finance lease arrangements entered into by its subsidiary. The directors do not consider it probable that claims will be made against the Company under any of the guarantees. The maximum liability of the Company at 30 June 2012 under the guarantees issued was 100% of the future minimum lease payments under the lease agreements entered into by the subsidiaries of RMB100.0 million.

Charge on Assets

As at 30 June 2012, the Company had a share charge created in favour of Bangkok Bank Public Company Limited, Hong Kong Branch ("BBL") on 16 December 2011 whereby the Company agreed to pledge all shares of its subsidiary, Prime Global Retail Management & Advisory Limited to BBL. An equitable share mortgage had been created by the Company in favour of BBL on 16 December 2011 whereby the Company agreed to pledge all shares of its subsidiaries, Chia Tai Trading (Beijing) Company Limited, Chia Tai Trading (Qingdao) Company Limited, Chia Tai Trading (Xian) Company Limited, Chia Tai Trading (Zhengzhou) Company Limited, Chia Tai Distribution Investment Company Limited, Yangtze Supermarket Investment Co. Limited and Union Growth Investments Limited ("Union Growth") to BBL.

As at 30 June 2012, an equitable share mortgage had been created by Union Growth in favour of BBL on 16 December 2011 whereby Union Growth agreed to pledge all shares of its subsidiary, Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF") and 10,821,033 shares of Chia Tai-Lotus (Guangdong) Investment Co. Ltd. ("CT-Lotus") to BBL. An equitable share mortgage had been created by Lotus-CPF in favour of BBL on 16 December 2011 whereby Lotus-CPF agreed to pledge 97,389,312 shares of its subsidiary, CT-Lotus to BBL.

The abovementioned share charge and equitable share charges in favour of BBL were created to secure the Company's term loan facility of USD28 million which will expire on 31 December 2018 with instalment payments scheduled during its term.

Employees, Training and Remuneration Policy

The Group employed approximately 14,900 employees as at 30 June 2012, of which approximately 1,600 were head office staff and approximately 13,300 were store employees. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, subsidized training programs as well as share option scheme for senior management.

BUSINESS REVIEW

Store Network

During the Period under review, the Group opened one hypermarket and one supermarket in Guangzhou and Shanghai respectively.

The Group now has 55 stores including 51 hypermarkets, two supermarkets and two Lotus Life Stations.

Optimisation of Merchandise

We continued to review our merchandise mix regularly by conducting line review to promptly adjusting our merchandise and marketing strategy in response to customers' need and market change. In order to bring in more quality products at affordable prices and create a better price image, we continued to expand our direct sourcing base and will be sourcing more agricultural products such as onion, garlic and ginger from farms in Shangdong.

The quality and safety of our products remains utmost importance to Lotus. We continued to review and strengthen our quality control measures through supply chain and vendor development to ensure product integrity. We aim to further improve our food safety through the implementation of HACCP and we expect one of our stores in Shanghai will be HACCP certified in the third quarter of this year.

We continued to work closely with our suppliers to improve customer shopping experience through product innovation, co-brand marketing activity and customer centricity. We have formed strategic partnership with 30 nationwide vendors to develop joint business plan. We will continue to strengthen our relationship through resource sharing and people collaboration.

Improvement of Operation Efficiency
We understand the importance for management to be able to monitor and manage the performance of different business units and make better business decisions based on accurate and up-to-date data and information. We have started the development of Business Intelligence project and is now in the process of completing the system architecture design and other functional requirements, we plan to carry out testing of the system in the third quarter and launch the project by the end of the year.

We continued to reinforce the store productivity improvement program through applying different staffing structure for different type of stores according to their sales, sales floor space and personnel expenses to sales ratio. We also improved cashier productivity by adjusting the check-out area layout.

We continued to seek ISO9001 certification for our stores and distribution centres as our commitment to achieve operational excellence. Currently 30 of our stores and our Shanghai fresh and dry distribution centres are ISO9001 certified.

Continued Store Innovation
The Group continued its efforts to transform our stores into lifestyle model to provide one-stop shopping convenience and varieties to our customers. During the Period under review, we have completed the renovation of the lease area for a further four stores.

People Development
Training and development is one of the Group’s strategic priorities in attracting, developing and retaining a knowledgeable and skilled workforce. Over 500,000 training hours were provided to new recruits and newly promoted employees during the Period and with continued efforts to improve the qualification of our employees, of the 6,155 new hires, approximately 1,380 were university graduates. In terms of our Leadership Development initiatives, there was a final project review for Lotus “Leaders Develop Leaders Program” in May 2012.

PROSPECT
The first six months was difficult and the Group believes that the operating environment remains challenging and competitive in the second half of 2012. The moderation of China’s consumer price index in recent months should provide some relief to customers. We will focus on increasing sales and improving gross profit margin through merchandise mix shift and better cost control through store productivity improvement initiatives.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Period except that (i) the roles of Chairman and Chief Executive Officer were performed by the same individual from 1 April 2012 to 31 July 2012, which deviated from code provision A.2.1. However, the Board considered that the structure did not impair the balance of power and authority between the Board and the management of the Group; and (ii) the Chairman did not attend the annual general meeting held on 22 June 2012 due to other important business engagement, which deviated from code provision E.1.2.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-Executive Directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Umroong Sanphasitvong
Director

Hong Kong, 10 August 2012

As at the date of this announcement, the Board of the Company comprises eleven executive directors, namely Mr. Soopakij Chearavanont, Mr. Narong Chearavanont, Mr. Chan Yiu-Cheong, Ed, Mr. Michael Ross, Mr. Yang Xiaoping, Mr. Li Wen Hai, Mr. Meth Jiaravanont, Mr. Umroong Sanphasitvong, Mr. Suphachai Chearavanont, Mr. Piyawat Titasattavorakul and Mr. Shih Hong-Mo, and three independent non-executive directors, namely Mr. Viroj Sangsnit, Mr. Songkitti Jaggabatara and Mr. Cheng Yuk Wo.