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 2013

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 2013 (the "Period") together with the comparative figures in 2012 were as follows:

Condensed Consolidated Statement of Profit or Loss

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Turnover	*3*	**5,408,196**	5,346,145
Cost of sales		**(4,513,064)**	(4,460,838)
Gross profit		**895,132**	885,307
Other revenue	*4*	**245,813**	234,267
Other net income/(loss)	*5*	**18,739**	(1,718)
Distribution and store operating costs		**(951,685)**	(952,795)
Administrative expenses		**(215,301)**	(191,550)
Loss from operation		**(7,302)**	(26,489)
Finance costs	*6*	**(37,960)**	(50,588)
Loss before taxation	*7*	**(45,262)**	(77,077)
Income tax	*8*	**(1,498)**	(1,703)
Loss for the period		**(46,760)**	(78,780)

Condensed Consolidated Statement of Profit or Loss (Continued)

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Attributable to:			
Equity shareholders of the Company		**(46,747)**	(78,698)
Non-controlling interests		**(13)**	(82)
		(46,760)	(78,780)
Loss per share	*10*		
- Basic		**(0.22) RMB cent**	(0.38) RMB cent
- Diluted		**(0.22) RMB cent**	(0.38) RMB cent

Condensed Consolidated Statement of Other Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Loss for the period	**(46,760)**	(78,780)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	**2,321**	(6,867)
Total comprehensive income for the period	**(44,439)**	(85,647)
Attributable to:		
Equity shareholders of the Company	**(44,426)**	(85,565)
Non-controlling interests	**(13)**	(82)
Total comprehensive income for the period	**(44,439)**	(85,647)

Condensed Consolidated Statement of Financial Position

	Notes	**Unaudited 30 June 2013 *RMB'000***	Audited 31 December 2012 *RMB'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment		**1,669,177**	1,682,541
- Interests in leasehold land held for own use under operating leases		**151,093**	154,240
		1,820,270	1,836,781
Intangible assets		**212,603**	219,180
Goodwill		**3,154,278**	3,154,278
Prepaid lease payments for premises		**27,083**	35,674
Other long-term prepayments		**8,757**	9,987
Deferred tax assets		**65,112**	65,112
		5,288,103	5,321,012
Current assets			
Prepaid lease payments for premises		**13,506**	8,944
Inventories		**746,789**	908,635
Trade and other receivables	*11*	**752,466**	847,944
Pledged bank deposits		**259,030**	214,831
Cash and cash equivalents		**264,361**	415,974
		2,036,152	2,396,328
Current liabilities			
Trade and other payables	*12*	**3,787,246**	3,935,625
Bank loans	*13*	**61,342**	1,258,192
Other loans		**41,362**	152,100
Obligations under finance leases		**6,677**	6,677
Current taxation		**1,103**	17,214
Provisions		**34,857**	56,331
		3,932,587	5,426,139
Net current liabilities		**(1,896,435)**	(3,029,811)
Total assets less current liabilities		**3,391,668**	2,291,201
Non-current liabilities			
Bank loans	*13*	**1,149,963**	-
Obligations under finance leases		**177,173**	180,430
Deferred tax liabilities		**36,231**	38,031
		1,363,367	218,461
NET ASSETS		**2,028,301**	2,072,740
CAPITAL AND RESERVES			
Share capital		**386,424**	386,424
Reserves		**1,640,052**	1,684,478
Total equity attributable to equity shareholders of the Company		**2,026,476**	2,070,902
Non-controlling interests		**1,825**	1,838
TOTAL EQUITY		**2,028,301**	2,072,740

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 2012 annual financial statements.

Except as described below, the principal 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 2012.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to 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 HKAS 1	Presentation of Items of Other Comprehensive Income

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

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

2. ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012, with the exception of changes made to the estimated useful lives of property, plant and equipment as of 1 January 2013.

In order to align with Group's property, plant and equipment with its actual useful life, the Company and its subsidiaries have made changes to the estimated useful lives of property, plant and equipment not fully depreciated in the PRC.

The table below shows the details of estimated useful lives of property, plant and equipment before and after the changes:

Category of property, plant and equipment	Estimated useful lives (years) Before change	After change
Leasehold improvements	10-20 or over the remaining term of the lease, whichever is shorter	13-20 or over the remaining term of the lease, whichever is shorter
Furniture, fixtures and equipment	3-5	3-8
Motor vehicles	3-6	3-8

The changes in accounting estimate applied to the unaudited condensed consolidated financial information for the six months ended 30 June 2013 have decreased the depreciation charge of property, plant and equipment by approximately RMB18,631,000 and will also decrease by approximately RMB36,000,000 for the year ending 31 December 2013.

3. 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.

4. OTHER REVENUE

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Leasing income of store premises	**197,514**	180,646
Other promotion and services income	**36,627**	33,970
Interest income	**3,522**	4,206
Government grants	**8,150**	15,445
	245,813	234,267

5. OTHER NET INCOME/(LOSS)

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Foreign exchange gain	**19,672**	2,573
Net income/(loss) from store lease cancellations	**728**	(2,557)
Net loss on disposal of fixed assets	**(1,661)**	(1,734)
	18,739	(1,718)

6. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Finance costs:		
Interest on borrowings wholly repayable within five years:		
- Bank loans	**-**	4,247
- Other loans and charges	**603**	5,322
Interest on bank loan repayable after five years	**25,990**	18,726
Finance charges on obligations under finance leases	**9,172**	9,477
Total interest expense on financial liabilities not at fair value through profit or loss	**35,765**	37,772
Loan arrangement, guarantee and other fees	**2,195**	12,816
	37,960	50,588

7. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**81,022**	93,001
Amortisation		
- Land lease premium	**3,147**	3,147
- Intangible assets	**6,577**	6,576
Cost of inventories sold	**4,513,064**	4,460,838
Loss on disposal of property, plant and equipment, net	**1,661**	1,734
and crediting:		
Interest income	**(3,522)**	(4,206)

8. INCOME TAX

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax – PRC		
Provision for the period	**3,298**	4,341
Deferred tax		
Reversal and origination of temporary differences	**(1,800)**	(2,638)
Taxation expense	**1,498**	1,703

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.

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2012: Nil).

10. LOSS PER SHARE

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

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Loss for the period attributable to equity shareholders of the Company used in the calculation of basic and diluted loss per share	**(46,747)**	(78,698)

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

	Unaudited Six months ended 30 June	
	2013	2012
Number of ordinary shares in issue	**9,797,454,827**	9,296,003,607
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	**3,671,526,007**	3,672,926,137
Number of Series D convertible preference shares in issue (note (ii))	**2,211,382,609**	2,211,382,609
Total	**21,096,280,852**	20,596,229,762

notes :

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

(ii) On 1 January 2012, 2,211,382,609 Series D convertible preference shares of par value of HK$0.02 each were issued as consideration for the acquisition of subsidiaries. The fair value of the shares issued amounted to HK$529,073,000 (equivalent to RMB428,920,000) out of which HK$44,228,000 (equivalent to RMB35,855,000) and HK$484,845,000 (equivalent to RMB393,065,000) were recorded in share capital and share premium, respectively.

(iii) On 29 May 2012, 610,800,660 ordinary shares of par value of HK$0.02 each were issued at a price of HK$0.0687 per share (equivalent to RMB0.0560 per share) to settle all the outstanding options granted on 6 June 2002. Net proceeds from the shares issued amounted to HK$41,962,000 (equivalent to RMB34,196,000), out of which HK$12,216,000 (equivalent RMB9,955,000) and HK$29,746,000 (equivalent RMB24,241,000) were recorded in share capital and share premium, respectively.

(iv) 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.

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Trade receivables, other receivables and deposits	**243,055**	223,789
Amounts due from related companies	**509,411**	624,155
	752,466	847,944

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 RMB41,138,000 (2012: approximately RMB32,420,000) with the following ageing analysis:

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Current	**30,598**	23,731
1 to 30 days overdue	**3,314**	4,708
31 to 60 days overdue	**3,584**	1,839
61 to 90 days overdue	**2,204**	1,805
Over 90 days	**1,438**	337
	41,138	32,420

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Notes payable	**384,937**	360,327
Creditors and accrued charges	**2,960,832**	3,240,440
Amounts due to related companies	**441,477**	334,858
	3,787,246	3,935,625

Included in trade and other payables are trade creditors and notes payable of approximately RMB2,483,525,000 (2012: approximately RMB2,651,635,000) with the following ageing analysis:

	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
Uninvoiced purchases	**757,438**	920,124
Within 30 days of invoice date	**1,679,585**	1,668,810
31 to 60 days after invoice date	**15,083**	51,351
61 to 90 days after invoice date	**2,138**	1,562
More than 90 days after invoice date	**29,281**	9,788
	2,483,525	2,651,635

13. BANK LOANS

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Long-term bank loans due within 1 year	**61,342**	1,258,192
Long-term bank loans due over 1 year	**1,149,963**	-
	1,211,305	1,258,192

As at 30 June 2013, the Group's bank loans are secured/guaranteed as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Secured bank loans		
- Secured by assets held by the Group	**1,211,305**	1,258,192

As at 30 June 2013, the Group has drawn down floating rate bank loans of USD195,890,000 (equivalent to RMB1,211,305,000) (2012: USD200,000,000 (equivalent to RMB1,258,192,000)), bearing interest at three-month London Interbank Offered Rate ("LIBOR") plus 3.25% per annum, which are secured by the share capital of certain of its subsidiaries. These bank loans were drawn from term loan facilities which will expire on 31 December 2018 with installment repayments scheduled during their terms.

As at 31 December 2012, the Company was in breach of certain earnings and solvency related financial covenants included in the bank loan facility agreement and therefore, the bank loans have been classified as current liabilities as at 31 December 2012. Subsequent to 31 December 2012, the Company obtained a waiver from the banks in respect of its non-compliance with the financial covenants as at 31 December 2012.

In May 2013, the Company has obtained an advance wavier from the banks for the possible breach of certain financial covenants under the bank loan facility agreement subject to two alternative covenants being met as at 30 June 2013. In view of the compliance with those two alternative covenants, bank loans with due over one year, including in current liabilities as at 31 December 2012, was reclassified to non-current liabilities as at 30 June 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded net loss attributable to shareholders for the Period of RMB46.7 million (2012: loss of RMB78.7 million).

Turnover increased by RMB62.1 million or 1.2% to RMB5,408.2 million. The increase was mainly due to the revenue generated by the new stores opened in Guangzhou and Beijing respectively in September 2012 and January 2013. Sales were affected by consumers' concern over the bird flu crisis, the government's anti-corruption/waste programs and our strategy to reduce group sales in order to create healthier margin. Same store sales fell 1.4%.

Gross profit margin was 16.6% of sales (2012: 16.6%). 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 slightly by 0.1 percentage point to 8.3% as we continued to invest in margin to boost sales and attract customers. Back margin improved from 8.2% to 8.3%.

Other revenue and other net income/(loss) comprised mainly lease income which is income received from leasing of store space. It increased by RMB32.0 million to RMB264.6 million or 4.9% of sales. Income from leasing of store space increased by RMB16.9 million as a result of the opening of two new stores and higher rental charged upon lease renewal and an exchange gain of RMB19.7 million was recorded as compared to RMB2.6 million in the corresponding period in 2012 due to the continued appreciation of the USD/RMB exchange rate. Subsidy received from government, however, was down by RMB7.3 million compared to the same period last year.

Distribution and store operating costs was RMB951.7 million or 17.6% of sales (2012: RMB952.8 million or 17.8% of sales). It comprised mainly stores rental, personnel expenses, utilities and depreciation and amortization for a total of RMB793.8 million and 5.4%, 6.0%, 1.8% and 1.5% of sales respectively. Rental increased by RMB10.7 million as a result of opening of two new stores. Depreciation and amortization expenses decreased mainly a result of the changes of the estimated useful lives for the property, plant and equipment in China from the beginning of 2013. Personnel expenses dropped despite the addition of two new stores and the increase in minimum wage as a result of store level restructuring.

Administrative expenses was RMB215.3 million or 4.0% of sales compared to RMB191.6 million or 3.6% of sales in 2012. It mainly included personnel expenses of RMB151.7 million, depreciation and amortization charge of RMB9.7 million, rental of RMB10.5 million and professional fee of RMB4.4 million.

Financial expenses were RMB38.0 million or 0.7% of sales, a decrease of RMB12.6 million from the corresponding period in 2012. The reduction was due to the lower of loan arrangement and guarantee fees as a result of no additional bank financing arrangements during the Period under review.

Capital expenditure was RMB69.8 million for the Period under review, mainly in respect of payment for two new stores, store renovations and replacement of equipment.

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, the Group's sources of funds were generated primarily from operating activities and bank borrowings. As of 30 June 2013, the Group had net currently liabilities of approximately RMB1,896.4 million (31 December 2012: RMB3,029.8 million). The net cash and cash equivalents decrease was mainly due to payment of capital expenditure, repayment of term loans in accordance with installment repayments schedule and bank loans interest. In May 2013, the Company has obtained an advance wavier from the banks for the possible breach of certain financial covenants under the bank loan facility agreement subject to two alternative covenants and the Company has complied with these two alternative covenants as at 30 June 2013. We expect we will generate sufficient cash flows to meet our business needs and liabilities as and when they fall due in the next twelve months.

	30 June 2013	31 December 2012
Cash and cash equivalents (RMB million)	**264.4**	416.0
Bank and other loans (RMB million)	**1,252.7**	1,410.3
Current ratio (x)	**0.52**	0.44
Quick ratio (x)	**0.33**	0.27
Gearing ratio (x) (defined as bank and other loans divided by total equity)	**0.62**	0.68

	Six months ended 30 June	
	2013	2012
Net cash (outflow)/inflow after effect of foreign exchange rate changes (RMB million)	**(151.6)**	124.4

During the Period under review, bank and other loans are denominated in US dollars ("USD") and bank loans bear interest at three-month LIBOR plus 3.25% per annum and other loan bear interest at three-month LIBOR plus 1.50% per annum.

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 risks in its retail operations.

The Group is exposed to foreign currency risk from bank loans held by certain PRC subsidiaries, which are denominated in 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, although the RMB continued to appreciate by 1.7% in the first half of 2013, the directors consider the growth rate will gradually stabilize. Although the Group has not undertaken any foreign currency hedging activities, the Group will continue to 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 2013, 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 2014 and July 2014 respectively in respect of finance lease arrangements entered into by its subsidiaries. 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 2013 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 2013, 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 2013, 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 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 Group's term loan facility of USD200 million which will expire on 31 December 2018 with installment payments scheduled during its term. As at 30 June 2013, the total principal outstanding was USD195.9 million.

Employees, Training and Remuneration Policy

The Group employed approximately 14,500 employees as at 30 June 2013, of which approximately 1,500 were head office staff and approximately 13,000 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 directors and senior management.

BUSINESS REVIEW

Store network

During the Period under review, the Group opened one hypermarket in Beijing in January and closed two Lotus Life Stations in Shanghai in order to focus on its core hypermarket business. The Group opened a new store in Xuzhou on 29 July 2013 with a sales area of over 10,000 sqm, this is the Group's second store in Xuzhou city, Jiangsu Province. The Group now has 56 retail stores including 54 hypermarkets and 2 supermarkets.

Optimisation of merhcandise

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. Our overall price mission is to deliver "Prices are Good" to our customers by increasing our weekly competitive price check to cover 200 Fresh lines and top 1,000 Grocery lines. We have also completed the end to end schematic process review from category review to launch of new schematic in stores, new line listing and seasonal changes etc.

Improvement of operation efficiency

We completed the review of the store operation model under which the staffing level is determined based on the revenue and number of customers of the store and the new store operation model is now in place. The restructuring has brought encouraging results with the store personnel costs reduced despite opening of two new stores and the increase in minimum wage.

We continued to reinforce the store productivity improvement through investment in more advanced equipment and utilization of technology to reduce manual work. The use of the Telxon scanner helps to provide a more accurate sales and inventory level of products and thus helps to better our inventory management; and the newer version of the cash register devices has reduced the customers' waiting time at the till.

We continued to seek ISO9001 certification for our stores and distribution centres as our commitment to achieve operational excellence. Currently 49 of our stores and all of our distribution centres are ISO9001 certified.

Continued store innovation

We launched a new planogram where we standardize prototype and range by benchmarking industry best practices. Merchandise is displayed according to the shopping habits/behaviours of our customers and there is better allocation of space for each merchandise category such that customers are able to find the same category within the designated area. We also continued our store refresh program of some of our older stores to provide a better shopping environment to our customers.

People development

We continued to reinforce the performance management processes with focus on building a performance culture. Individual performance score card had been completed and employees will be assessed with reference to the goals and objectives set out therein. Recognising the importance of effective communication, we continued to hold corporate governance meetings to ensure all important Hong Kong proposals, company policies, structure and budget decisions, etc. are made in an open, transparent and comprehensive approach.

PROSPECT

Despite the challenging business environment, the Group remains confident in the long term prospects of the China's economy. We will step up our efforts to expand our retail network with the opening of three new stores in the next few months making the total number of new store opening in 2013 five and we plan to open eight to ten stores and one new distribution centre in 2014. We will continue to upgrade and renovate existing store portfolios, improve merchandise mix and increase productivity and efficiency in order to deliver sustainable growth.

CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the Period.

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, 8 August 2013

As at the date of this announcement, the Board comprises ten 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. Suphachai Chearavanont, Mr. Umroong Sanphasitvong and Mr. Piyawat Titasattavorakul, and five independent non-executive directors, namely Mr. Viroj Sangsnit, Mr. Songkitti Jaggabatara, Mr. Itthaporn Subhawong, Mr. Prasobsook Boondech and Mr. Cheng Yuk Wo.