LOTUS
卜蜂蓮花

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 30TH JUNE, 2010

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Directors") of C.P. Lotus Corporation (the "Company") announces the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2010 (the "Period") together with the comparative figures in 2009, as follows:

Condensed Consolidated Statement of Comprehensive Income

		Unaudited	
		Six months ended 30th June,	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Turnover	*2*	**5,191,866**	4,946,382
Cost of sales		**(4,224,878)**	(4,033,909)
Gross profit		**966,988**	912,473
Other revenue	*4*	**188,220**	197,166
Other net income/(loss)	*4*	**930**	(772)
Distribution and store operating costs		**(863,495)**	(815,600)
Administrative expenses		**(158,860)**	(211,120)
Profit from operation	*5*	**133,783**	82,147
Finance costs – interests on loans and other finance costs		**(103,928)**	(104,075)
Profit/(Loss) before interest on convertible bonds and gain on redemption		**29,855**	(21,928)
Interest on convertible bonds	*6*	**(105,031)**	(92,258)
Gain on redemption of convertible bonds	*7*	**469,108**	-
Gain on redemption of convertible bonds net of interest on convertible bonds		**364,077**	(92,258)
Profit/(Loss) before taxation		**393,932**	(114,186)
Income tax	*8*	**(2,585)**	(2,586)
Profit/(Loss) for the period attributable to equity shareholders of the Company		**391,347**	(116,772)

Condensed Consolidated Statement of Comprehensive Income (Continued)

	Notes	Unaudited Six months ended 30th June, **2010** ***HK$'000***	 2009 *HK$'000* (Restated)
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries in the People's Republic of China ("PRC")		**23,021**	4,256
Total comprehensive income/(loss) for the period		**414,368**	(112,516)
Earnings/(Loss) per share	*10*		
- Basic		**3.65 HK cents**	(1.09) HK cents
- Diluted		**3.35 HK cents**	(1.09) HK cents

Condensed Consolidated Statement of Financial Position

	Notes	**Unaudited** **30th June,** **2010** ***HK$'000***	Audited 31st December, 2009 *HK$'000*
Non-current assets			
Fixed assets			
- Property, plant and equipment		**1,784,980**	1,826,612
- Interests in leasehold land held for own use under operating leases		**189,993**	191,446
		1,974,973	2,018,058
Intangible assets		**248,919**	252,699
Goodwill		**3,117,649**	3,088,860
Prepaid lease payments for premises		**15,470**	9,365
Other long-term prepayments		**14,512**	9,313
Deferred tax assets		**93,452**	94,246
		5,464,975	5,472,541
Current assets			
Prepaid lease payments for premises		**7,205**	14,744
Inventories		**632,242**	840,729
Trade and other receivables	*11*	**972,045**	874,958
Income tax recoverable		**1,057**	241
Pledged and restricted bank deposits		**391,385**	398,332
Cash and cash equivalents		**455,676**	358,723
		2,459,610	2,487,727

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	**Unaudited 30th June, 2010** *HK$'000*	Audited 31st December, 2009 *HK$'000*
Current liabilities			
Trade and other payables	*12*	**3,207,690**	3,424,194
Bank loans	*13*	**672,594**	1,507,659
Other loans	*13*	**607,862**	860,661
Consideration payable for acquisition of subsidiaries		**30,225**	60,450
Obligations under finance leases		**4,931**	4,886
Current taxation		**441**	14,117
Provisions		**56,540**	50,339
		4,580,283	5,922,306
Net current liabilities		**(2,120,673)**	(3,434,579)
Total assets less current liabilities		**3,344,302**	2,037,962
Non-current liabilities			
Bank loans	*13*	**1,638,055**	370,500
Convertible bonds	*7*	**-**	1,238,729
Obligations under finance leases		**224,917**	225,220
Deferred tax liabilities		**49,225**	50,350
		1,912,197	1,884,799
NET ASSETS		**1,432,105**	153,163
CAPITAL AND RESERVES			
Share capital	*14*	**292,007**	214,064
Reserves		**1,140,098**	(60,901)
TOTAL EQUITY		**1,432,105**	153,163

Notes to Condensed Consolidated Financial Statements

1. 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 2009 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 31st December, 2009.

The Group has not early adopted the following new and revised standards and interpretations which have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1]
HKAS 24 (Revised)	Related Party Disclosures [2]
HKAS 32 (Amendment)	Classification of Rights Issues [3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [4]
HKFRS 9	Financial Instruments [5]
HK(IFRIC) - Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement [2]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments [4]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January 2011, as appropriate.

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

3 Effective for annual periods beginning on or after 1st February, 2010.

4 Effective for annual periods beginning on or after 1st July, 2010.

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

The adoption of the above new and revised standards and interpretations will have no material impact on the financial statements and the accounting policies of the Group.

2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to external customers, less returns and allowances for the period and is analysed as follows:

	Unaudited	
	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Sales of goods	**5,191,866**	4,946,382

3. SEGMENT INFORMATION

In the current period, the Group has applied HKFRS 8, "Operating Segments" issued by the HKICPA, which replaces HKAS 14, "Segment Reporting". It requires segmental information to be disclosed on the same basis as used for internal reporting purposes.

The Group is engaged in retail business of the operation of hypermarket stores in the PRC and all of its sales during the periods are generated in the PRC. Under the requirement of HKFRS 8, the Group has only one business segment for the periods ended 30th June, 2010 and 2009.

4. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Unaudited	
	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Other revenue		
Leasing income of store premises	**134,383**	121,589
Management service fee	**-**	35,122
Procurement service fee	**2,007**	1,615
Interest income	**4,866**	6,470
Other promotion and service income	**46,964**	32,370
	188,220	197,166
Other net income/(loss)		
Foreign exchange gain/(loss)	**2,274**	(46)
Loss on disposal of fixed assets	**(1,344)**	(726)
	930	(772)

5. DEPRECIATION AND AMORTIZATION

During the Period, depreciation of HK$111.6 million (2009: HK$124.9 million) in respect of the Group's property, plant and equipment, amortisation of HK$3.2 million (2009: HK$4.0 million) in respect of interests in leasehold land held for own use under operating leases of the Group and amortisation of HK$6.1 million (2009: HK$4.2 million) in respect of the Group's intangible assets were charged.

6. INTEREST ON CONVERTIBLE BONDS

Interest on convertible bonds of HK$105.0 million for the six months ended 30th June, 2010 consisted of HK$7.6 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and HK$97.4 million representing additional non-cash interest element arising from the remeasurement of the liability component of the convertible bonds using the effective interest rate method. As the convertible bonds have been fully redeemed on 30th June, 2010, no more interest on convertible bonds has been accrued from 30th June, 2010 onwards.

7. GAIN ON REDEMPTION OF CONVERTIBLE BONDS

The convertible bonds have been redeemed and cancelled on 30th June, 2010. As a result of the completion, the Company recorded a gain on redemption of convertible bonds of HK$469.1 million. The consideration for the redemption was paid by issuance of 3,897,110,334 new convertible preference shares ("New CPS") at issuance price of HK$0.39 per share. The redemption gain was arrived by comparing the fair value of the New CPS issued and the carrying value of the convertible bonds liability component as at the date of redemption.

8. TAX

	Unaudited	
	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Current tax - PRC		
Provision for the period	**1,500**	3,106
Deferred tax		
Origination and reversal of temporary differences	**1,085**	(520)
Taxation charge	**2,585**	2,586

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 (2009: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to equity shareholders of the Company for the Period of HK$391.3 million (2009: net loss of HK$116.8 million) and on the 9,184,414,410 weighted average number of ordinary shares, 1,518,807,075 weighted average number of convertible preference shares and 21,530,996 weighted average number of new convertible preference shares (2009: 9,184,414,410 weighted average number of ordinary shares and 1,518,807,075 weighted average number of convertible preference shares) in issue during the Period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for Period of HK$391.3 million, and the 9,184,414,410 weighted average number of ordinary shares, 1,518,807,075 weighted average number of convertible preference shares and 21,530,996 weighted average number of new convertible preference shares in issue during the Period, as used in the basic earnings per share calculation, plus the weighted average of 955,710,420 ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share option outstanding during the Period.

For the six months ended 30th June, 2009, the diluted loss per share is the same as the basic loss per share as all potential ordinary shares are anti-dilutive.

11. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	Unaudited 30th June, 2010	Audited 31st December, 2009
	HK$'000	*HK$'000*
Trade receivables, other receivables and deposits	**232,018**	209,650
Amounts due from related companies	**740,027**	665,308
	972,045	874,958

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	THE GROUP	
	Unaudited 30th June, 2010	Audited 31st December, 2009
	HK$'000	*HK$'000*
Current to 30 days overdue	**23,505**	36,310
31 to 60 days overdue	**6,405**	1,616
61 to 90 days overdue	**1,382**	265
Over 90 days	**960**	2,349
	32,252	40,540

12. TRADE AND OTHER PAYABLES

	THE GROUP	
	Unaudited	Audited
	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Notes payable	**163,191**	92,218
Creditors and accrued charges	**2,867,452**	3,122,771
Amounts due to related companies	**177,047**	209,205
	3,207,690	3,424,194

Included in trade and other payables are trade creditors and notes payable of approximately HK$2,209.0 million (2009: approximately HK$2,414.7 million) with the following ageing analysis:

	THE GROUP	
	Unaudited	Audited
	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Within 30 days of invoice date	**1,983,625**	2,017,805
31 to 60 days after invoice date	**145,401**	314,119
61 to 90 days after invoice date	**10,202**	13,513
More than 90 days after invoice date	**69,777**	69,273
	2,209,005	2,414,710

13. BANK LOANS

The Group had entered into a 6-years long term loan facility of USD250 million extended by a Thai syndicate. Among which USD235 million had been drawn down during the Period to refinance other short term bank loans and other loans.

14. SHARE CAPITAL

3,897,110,334 New CPS have been issued as consideration for the redemption of convertible bonds during the Period. The New CPS have been recorded in the financial statements at its fair value, of which HK$77,943,000 (HK$0.02 per share) was the par value, recorded as share capital and the balancing between its fair value and the par value was recorded as share premium in the reserves.

15. COMPARATIVE FIGURES

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

To improve brand recognition and to signify that the Company is the holding company of the group of subsidiaries which operate the Lotus hypermarket stores, the Company has changed its name from Chia Tai Enterprises International Limited to C.P. Lotus Corporation.

As at the date of this report, the Company and its subsidiaries operates a total of 45 hypermarkets in China, of which 21 are located in the East coastal (19 in Shanghai and 2 in Jiangsu), 14 in South coastal (all in Guangdong) and 10 in the North coastal (4 in Beijing, 3 in Xian, 2 in Zhengzhou and 1 in Qingdao) of China. No new store was opened during the Period under review.

The Group opened a new fresh distribution centre in Foshan, Guangzhou in June 2010 with a building area of over 2,600 sqm. The Group now owns and operates a total of 5 distribution centres of which 2 in Shanghai (1 fresh and 1 dry), 2 in Guangzhou (1 fresh and 1 dry) and 1 dry in Beijing, forming a nationwide network to serve all Lotus stores.

FINANCIAL REVIEW

The Group recorded net profit attributable to shareholders for the six months ended 30th June, 2010 of HK$391.3 million (2009: net loss of HK$116.8 million).

Revenue increased by HK$245.5 million or 5.0% to HK$5,191.9 million. The increase was a result of general price hike and more marketing initiatives to attract customers and to boost sales together with better merchandise mix on offer. Same store sales growth of 3.3% was recorded during the Period.

Gross profit margin was 18.6% of sales (2009: 18.4%). Gross profit 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 discount and allowances, entry fee and promotional fee etc. During the Period under review, back margin improved from 8.1% to 8.7% as a result of continued strengthening relationship with our suppliers and stronger bargaining power. The slight drop in front margin was due to more price cutting promotion to boost sales and reduce inventory level.

Leasing income of store premises increased from 2.5% of sales to 2.6% of sales in 2010 as a result of higher rental charged as we continued to renovate our stores and attract bigger name tenants.

Other revenue (excluding leasing income of store premises) dropped to 1.0% of sales in 2010 (2009: 1.5%); the Company terminated the management service agreement with C.P. Holding (BVI) Investment Company Limited on 31st March, 2009 and thus no management fee income was recorded during the Period.

Distribution and store operating costs was 16.6% of sales (2009: 16.5%). We spent over HK$28.1 million on promotion expenses compared to HK$9.7 million in the corresponding period last year while the other controllable expenses such as utilities, security and rental expenses etc remain relatively stable. We will continue to adopt more cost effective measures to keep our overall operating costs down.

Administrative expenses of HK$158.9 million mainly included personnel expenses of HK$107.1 million and professional fee of HK$10.4 million. Administrative expenses during the Period reduced significantly by HK$52.3 million to HK$158.9 million or 3.1% of sales (2009: 4.3%). The reduction was a result of the Group's continued efforts to streamline the organization structure of the PRC regional offices and reclassification of certain expenses to finance cost and distribution and store operating costs.

Finance costs – interests on loans and other finance costs amounted to HK$103.9 million (2009: HK$104.1 million).

Interest on convertible bonds of HK$105.0 million (2009: HK$92.3 million) of which HK$7.6 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and HK$97.4 million representing additional non-cash interest element arising from the re-measurement of the liability component of the convertible bonds using the effective interest rate method. As the completion of the redemption and cancellation of the convertible bonds took place on 30th June, 2010 ("Completion"), the Company is no longer obligated to pay this interest and guaranteed yield at maturity.

Also as a result of the Completion, the Company recorded a gain on redemption of convertible bonds of HK$469.1 million. The consideration for the redemption was paid by issuance of 3,897,110,334 New CPS at issuance price of HK$0.39 per share. The redemption gain was arrived by comparing the fair value of the New CPS issued and the carrying value of the convertible bonds liability component as at the date of redemption.

Net profit attributable to shareholders for the Period was HK$391.3 million, compared to net loss of HK$116.8 million for the corresponding period in 2009. The net effect of interest on convertible bonds and gain on redemption resulted in a net gain of HK$364.1 million (2009: net expenses of HK$92.3 million), excluding such net effect, the Company recorded a profit of HK$27.2 million (2009: loss of HK$24.5 million) during the Period under review.

Capital Structure

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

During the Period, 3,897,110,334 New CPS have been issued by the Company as consideration for the redemption of convertible bonds.

Liquidity and Finance Resources

As at the end of the Period, the net current liabilities of the Group had been reduced to HK$2,120.7 million (year ended 2009: HK$3,434.6 million) mainly due to the refinancing of short term loans by a 6 years long term syndication bank loan, and net assets had been increased by approximately HK$1,278.9 million to HK$1,432.1 million (year ended 2009: HK$153.2 million) was mainly due to the redemption and cancellation of convertible bonds and issuance of New CPS as consideration.

As at 30th June, 2010, the Group had short term bank loans of HK$672.6 million (year ended 2009: HK$1,507.7 million). The Group had unsecured other loans of HK$607.9 million (year ended 2009: HK$860.7 million) of which HK$541.0 million (year ended 2009: HK$581.5 million) were advanced from related companies. All of these unsecured other loans as at the Period end and year ended 2009 were repayable within 1 year. The Group had cash and cash equivalents amounting to HK$455.7 million, representing a 1.27 times of the balance as at the end of 2009.

Gearing and Current Ratios

As at 30th June, 2010, the gearing ratio of the Group stood at 2.04 (gearing ratio was calculated by dividing interest-bearing bank loans, other borrowings and convertible bonds by shareholders' equity) (year ended 2009: 26.0) and current ratio of the Group was 0.54 (year ended 2009: 0.42).

Foreign Currency Exposure

Most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, RMB and US dollars. As the Hong Kong dollar is pegged to US dollar and the fluctuation in the exchange rates has been relatively small in recent years, and the sales and purchases of the PRC subsidiaries are mainly in RMB which minimizes the RMB exchange effect, therefore, the Group believes it faces minimal foreign currency risk and thus, has not undertaken any hedging activities.

Employees, Training and Remuneration Policy

The Group had around 14,000 employees as at 30th June, 2010. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, subsidized training programmes as well as share option scheme for senior management.

BUSINESS REVIEW

During the reporting period, the Group continued its TOP strategy – transform stores, provide operation excellence and develop people.

Transform stores and merchandise to delight new generation customers

The Group completed the renovation of 5 stores (4 in Guangzhou and 1 in Beijing) to lifestyle concept store providing our customers with more varieties, upgraded one-stop shopping environment. As of this date, 23 of the 45 stores are operated in this lifestyle model and we plan to finish the renovation of a further 10 stores before the end of the year.

We continued to review merchandise performance at quarterly interval to ensure under performed/slow moving stocks are removed and new and high demand products are available for our customers. During the first 6 months of 2010, over 5,000 below-par products were removed and approximately 34,000 new products were introduced.

Excel in integrated Operations with service excellence

Various marketing activities were held in order to boost sales and promote brand awareness including Pantene Celebrity Appearance, Lux Star Activity and the Thai Food Festival. Lotus launched the Summer Mango Activity to provide customers with more discounted products and collaborated with China Mobile for its mobile wallet subscriber to use the phone payment service in our Shanghai region stores, the first time an international hypermarket operator to provide such service.

We continued to reinforce the performance management processes with focus on developing the key performance indicators and improve the work process. The establishment of the Corporate Performance Review Committee in April helped to promote the performance culture into a broader and more in-depth level.

The Branding Program which was initiated in 2009 has been continued this year with focus on increase the customer service standard and satisfaction. The service work standard and processes have been reviewed and certified by ISO9000 and the objective is to promote excellent service amongst Lotus stores.

Develop People with Win-win growth

In 2010, we recruited over 120 new talents graduated from the CP Corporate University Retail Management Program with cooperation with major universities in Shanghai, Beijing and Guangzhou. These young graduates are offered different training and development opportunities to cater for individual needs.

We also started preparing the CP MDSE Management Trainee Program in China leveraging the relationship and resources we have in the local market place. The program provides qualified candidates two years of on the job training with special project assignment within the merchandise functions of CP Lotus, to gain industry knowledge for future work. Each candidate will be evaluated every 6 months and will be promoted to junior management role after successfully and satisfactorily completed the two years' training.

The Group offers compensation and benefits at a competitive level to ensure fairness and to retain talented employees. We launched performance-based incentive scheme for the store level in the second quarter to reward and penalize based on performance of individuals.

FUTURE OUTLOOK

We saw a slowdown in economic growth in the second quarter of 2010 due to the government's policy to tighten monetary policy to curb asset bubbles. As both the demand and prices of the property markets stabilised and the risks of further tightening of economic policy recedes, we expect China's domestic demand will remain strong, underpinned by improving labour markets and consumer sentiments. Against this backdrop, we will step up our efforts to deliver our TOP strategy and further consolidating our position as one of the preferred hypermarket operators in China.

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.

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, 23rd August, 2010

As at the date of this announcement, the Board comprises fifteen executive directors, namely Mr. Dhanin Chearavanont, Mr. Soopakij Chearavanont, Mr. Michael Ross, Mr. Narong Chearavanont, Mr. Tse Ping, Mr. Yang Xiaoping, Mr. Li Wen Hai, Mr. Zheng Mengyin, Mr. Umroong Sanphasitvong, Mr. Robert Ping-Hsien Ho, Mr. Meth Jiaravanont, Mr. Nopadol Chiaravanont, Mr. Chatchaval Jiaravanon, Mr. Suphachai Chearavanont and Mr. Kachorn Chiaravanont and three independent non-executive directors, namely Mr. Viroj Sangsnit, Mr. Chokchai Kotikula and Mr. Cheng Yuk Wo.