2010 Annual Report

C.P. Lotus Corporation
卜 蜂 蓮 花 有 限 公 司

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

have a fresh day with Lotus

Everyday we create a fresh experience for our customers, whoever they are, wherever they live, whatever their lifestyle may be, each Lotus store strives to offer fresh and pleasurable shopping experience by comfortable environment, various high-quality merchandise and friendly service.

Get satisfaction at Lotus for products & services all families need, want & dream of.

LOTUS
fresh quality
fresh delivery……
to fresh store
fresh smile :)
LOTUS
Fresh your life
LOTUS
fresh community
With our common goal “fresh your life”, we work hard to help our customers in community to enjoy fresh life everyday.
fresh products
start a fresh day with Lotus
Get satisfaction at Lotus for products & services all families need, want & dream of.

Mission

Help People to Live a Better Life.

Vision

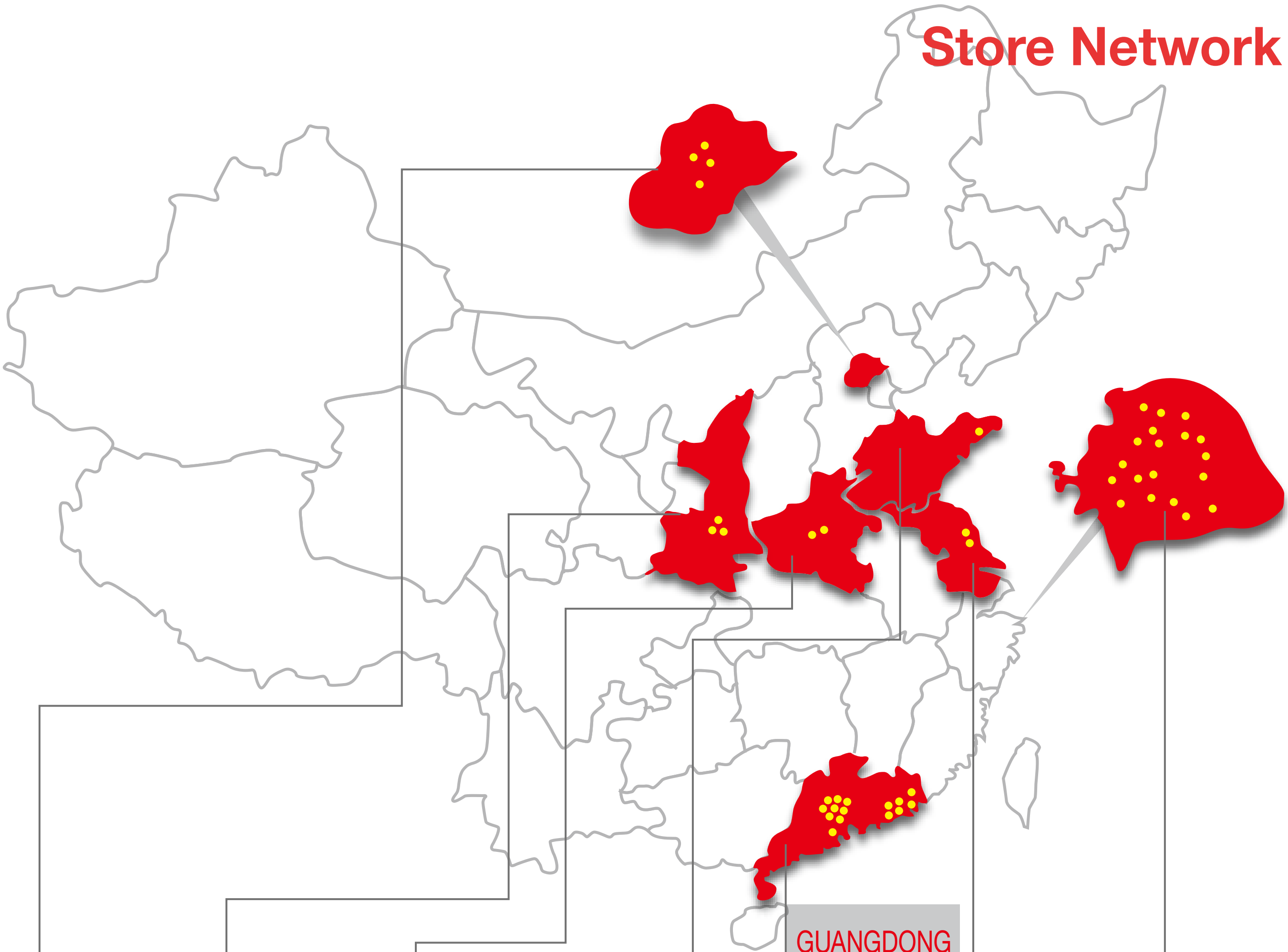
Be the Most Preferred Lifestyle Retailer for products & services All Families need, want & dream of.

Lotus

C.P. Lotus Corporation is the China retail flagship company of the Charoen Pokphand Group, Asia's leading globally committed conglomerate. Headquartered in Shanghai, we own and operate 46 Lotus stores spanning across the Northern, Eastern and Southern regions of China. We also operate a nationwide network of dry and fresh distribution centres in Shanghai, Guangzhou, Beijing and Xian.

As a one-stop shopping centre, we offer quality, varieties, value, convenience and friendly service. Committed to "Customer Centric" and "Fresh Your Life", we aspire to be the most preferred lifestyle retailer for products and services all families need, want & dream of.

Store Network



BEIJING

Chaoyang Store
Tongzhou Store
Shifoying Store
Chengfu Lu Store

4

SHAANXI

Xian
Tangyan Lu Store
Changying Lu Store
Changan Lu Store

3

HENAN

Zhengzhou
Zijingshan Lu Store
Donghuan Lu Store

2

SHANDONG

Qingdao
Liaoyangxi Lu Store

1

GUANGDONG

Guangzhou
Sanyuanli Store
Tianhe Store
Huadu Store
Changxing Store
Shantou
Changping Store
Chenghai Store
Jingping Store
Foshan
Nanhai Store
Sanshui Store
Huangqi Store
Shunde Store
Jieyang
Dongshan Store
Rongcheng Store
Jiangmen
Jiangmen Store
Chaozhou
Chaozhou Store

15

JIANGSU

Kunshan Store
Nantong Store

2

SHANGHAI

Yanggaonan Lu Store
Zhoujiazui Lu Store
Chuanchang Lu Store
Wuzhong Lu Store
Shangnan Lu Store
Caoan Lu Store
Tianshan Lu Store
Super Brand Mall Store
Wenshui Lu Store
Yanggaobei Lu Store
Songjiang Yueyang Store
Chuansha Store
Nanfeng Store
Yanggaozhong Lu Store
Jinshan Weiqing Store
Xinzhen Lu Store
Yunchuan Lu Store
Pujiang Store
Xingang Lu Store

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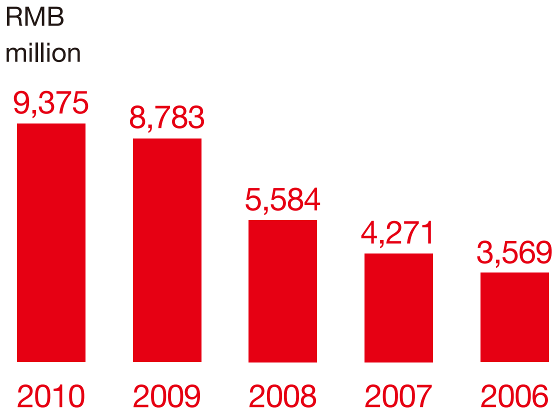
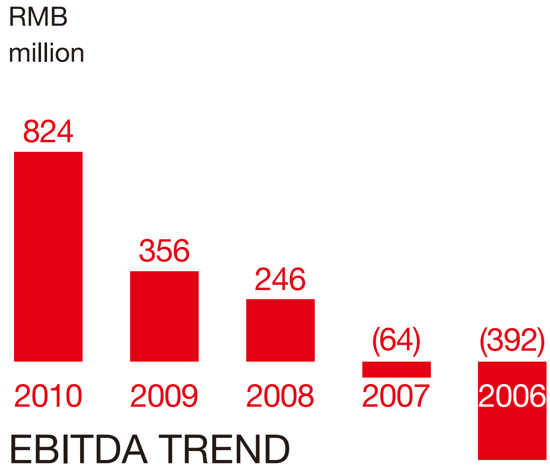
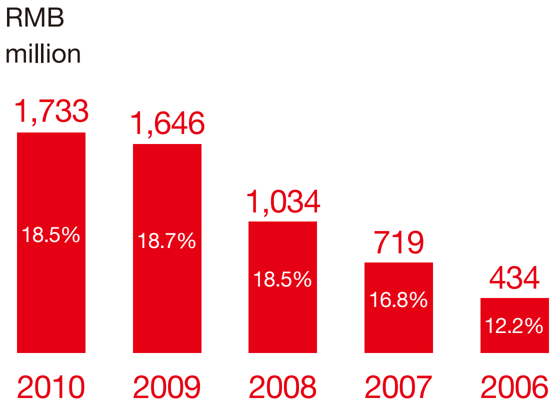
	2010 RMB million	2009 RMB million	change
Turnover	9,374.5	8,783.4	6.7%
Gross Profit	1,733.3	1,646.4	5.3%
Profit/(Loss) for the year	349.3	(235.7)	N/A
EBITDA	823.5	356.3	131.1%



TURNOVER TREND



EBITDA TREND



GROSS PROFIT & GP RATIO TREND

Mr. Dhanin
Chearavanont
Chairman

Chairman's Statement

The year 2010 was one monumental milestone year for CP Lotus. While the Company continued the development of lifestyle malls providing our customers with integrated one-stop experience combining shopping, dining, entertainment, recreation and leisure, as well as education and culture, we also aggressively explored other retail business models such as high-end luxury merchandise supermarkets, community shopping malls, E-commerce and fresh food convenience stores. With dedication and hard work of all our employees, 2010 was the first year we recorded a net profit since our business acquisition and restructuring in 2008. Turnover for 2010 was approximately RMB9,370 million, representing an increase of 6.7%, with a net profit of RMB349 million. The Company now owns and operates 46 Lotus stores and plans to open an additional 10 stores in 2011. Through the unprecedented determination demonstrated by our staff and our system reform and innovation, the Company is on track to accomplish its significant transformation from a labor intensive company to a knowledge based enterprise.

Market Overview

China has become the second largest economy in the world in 2010. According to National Bureau of Statistics, retails sales grew 18.4% to approximately RMB15 trillion in 2010, and reached approximately RMB2.9 trillion for the first 2 months in 2011, showing an increase of 15.8% compared to that of the same period in 2010. As the development of new villages and the process of urbanization accelerate, the living standards of both the urban and the rural population will continue to improve. It is expected that retail sales in the period covered by the 12th Five Year Plan will double that covered by the 11th Five Year Plan, signaling the arrival of a golden era for China's retail industry.

We record over 150 million customer visits to our stores every year and our nationwide retail network radiates out from our focus on first tier cities such as Shanghai, Beijing and Guangzhou, supported by second tier cities such as Xian, Qingdao, Zhengzhou and Shantou. Through strategic alliances with leading modern commercial centre developers such as Greenland Group, a new business model of "alliance between giants to create a perfect combination of real estate and commerce" has crystalised, laying a solid foundation for the next accelerated growth phase of the Company.

Chairman's Statement

Financial Review

In 2010, with the support of our major shareholder, Thailand's Charoen Pokphand Group, a debt restructuring was completed, whereby the Company redeemed all outstanding interest-bearing convertible bonds and replaced them with convertible preference shares, resulting in a substantial saving in finance cost and a significantly improved interest-bearing debt to equity ratio of 1.4 times. In 2010, the Company transferred its share premium to completely offset its accumulated losses, resulting an accumulated surplus at the end of 2010, dividends may then be declared as and when appropriate.

Operation Review

As a leading retail operator in China, with "Putting Customers First" as our business philosophy, we are dedicated to provide our customers with the goods and services which they need, which they want and which they dream of having. In 2010, nine of our supermarkets and our Shanghai fresh and dry distribution centre received ISO9001 certification, while ISO9001 certification for all our stores is targeted by 2012. As recognition of our efficiency, quality, safety and integrity, our Shanghai Lotus was selected as the food supplier and distributor for Shanghai Expo and our Guangzhou Lotus the food supplier for the 2010 Asian Games. Leveraging on these opportunities, we continue to strengthen our cooperation with government authorities and brand name suppliers.

We have opened fresh and dry distribution centres in Shanghai, Guangzhou, Beijing and Xian with total quality control over the whole logistics process. Our numerous customers are assured of merchandise freshness, safety and quality at CP Lotus, as we work towards becoming a vanguard in lifestyle retailing in China.

Talent is the essential driving force behind corporate development and talent development has always been one of our top prioritized core strategies at CP Lotus. With support from Charoen Pokphand Corporate University and in cooperation with over 30 advanced educational institutes across the country, we developed and launched retail management trainee programs, with a current annual intake of 1,500.

CP Lotus continues to develop our branding strategy, staying committed to our "Service First" and "Quality First" principles. Through long term cooperation with the world's most influential market research companies, we capture and study in-depth research on customers' consumption behavior and continue to enhance customer satisfaction, so that CP Lotus can gradually become a retail consumption trend-setter. Observing the ultimate business mission of the CP Group – "For the Country, For the People and For the Company", CP Lotus is also actively involved in community and charity activities as we build an excellent corporate image to the public.

Appreciation

I would like to extend my thanks to our shareholders, banks and vendors for their continuing trust and support, and to our management and staff for their dedicated hard work throughout the past year.

Dhanin Chearavanont
Chairman

25 March 2011

Management's Discussion and Analysis

The Group currently owns and operates 46 Lotus stores in China – 21 in East Coastal (19 in Shanghai and 2 in Jiangsu), 15 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). We opened one store in Guangzhou in January 2011 with a building area and sales area of approximately 10,300 sqm and 5,300 sqm respectively, offering over 500 parking spaces.

The Group also owns and operates 7 distribution centres, 1 fresh and 1 dry in each of Shanghai, Guangzhou and Beijing and 1 dry in Xian with a total area of approximately 90,000 sqm, forming a nationwide network to serve all our Lotus stores.

FINANCIAL REVIEW

The Group continued to find ways to reduce its interest expenses. With the support of the controlling shareholder, we purchased and cancelled the convertible bonds from CP ALL Public Company Limited and its subsidiary and issued new convertible preference shares as consideration. After the completion of this transaction on 30 June 2010, all interest expenses associated with the convertible bonds would be eliminated, such interest expenses amounted to approximately RMB91.5 million for the 6 months ended 30 June 2010 (or approximately 1.0% of the full year's sales). The new convertible preference shares are convertible into ordinary shares at HK$0.39 per share subject to the compliance of the minimum float requirement under the Listing Rules with no guaranteed dividend. Our equity structure was also enhanced. Equity attributable to equity shareholders of the Company was RMB1,275.2 million as of 31 December 2010 compared to RMB134.9 million on 31 December 2009. Our interest-bearing debt to equity ratio significantly improved from approximately 26.0x to approximately 1.4x.

On 29 November 2010, our shareholders approved the reduction of share premium account of the Company by an amount of HK$1,217,243,000 (corresponding to the amount of the unaudited consolidated accumulated losses of the Group as at 30 June 2010) and such reduced amount be entirely applied to eliminate the unaudited accumulated losses of the Company as at 30 June 2010. This allows flexibility for the Company to declare dividends to the shareholders at an earlier opportunity in the future as and when the Board considers appropriate. The Board has decided not to declare any dividend for the year under review but will retain these funds to finance the store expansion plan in 2011.

We have also changed our presentation currency from HK$ to RMB as our primary revenue is generated in the PRC. Using RMB as presentation currency substantially eliminates the RMB/HK$ exchange rate fluctuation and its potential impact on our financials.

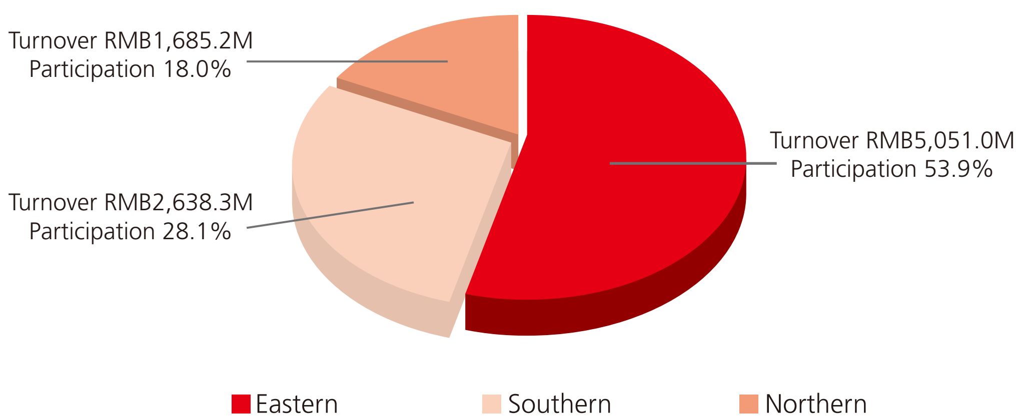
CONSOLIDATED STATEMENT OF INCOME
For the Year Ended 31 December 2010

	2010 RMB million	2009 RMB million	Change RMB million	Change %
Turnover	9,374.5	8,783.4	591.1	6.7
Gross profit	1,733.3	1,646.4	86.9	5.3
Other revenue and other net income/(loss)	374.1	321.1	53.0	16.5
Distribution and store operating costs	(1,565.9)	(1,441.5)	(124.4)	8.6
Administrative expenses	(345.0)	(399.0)	54.0	(13.5)
Gain on redemption of convertible bonds	408.5	–	408.5	N/A
Finance costs				
– Interest on convertible bonds	(91.5)	(167.6)	76.1	(45.4)
– Other finance costs	(172.8)	(174.1)	1.3	(0.7)
Taxation	8.7	(21.2)	29.9	N/A
Profit/(Loss) for the Year	**349.3**	**(235.7)**	**585.0**	**N/A**
EBITDA	**823.5**	**356.3**	**467.2**	**131.1**
EBITDA (exclude gain on redemption of convertible bonds)	**415.0**	**356.3**	**58.7**	**16.5**

Turnover

Group turnover was entirely generated from the sale of goods, less returns, discount and value added tax from our retail operations in China. Same store sales growth was 5.5% whereas stores which underwent renovation during the year recorded an average 12% growth; the growth was due to store layout upgrading, better assortment mix and effective marketing activities to boost sales.

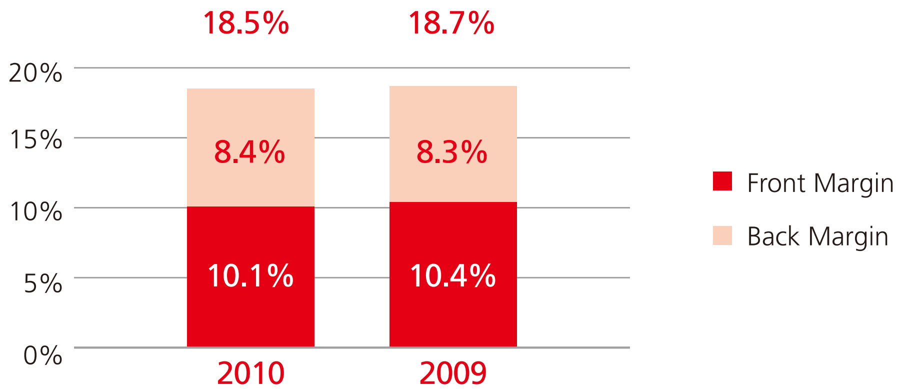
TURNOVER BY REGION



Gross Profit

Gross profit margin is comprised of front margin and back margin. Front margin is sales minus direct cost of sales; back margin represents income from suppliers such as discounts and allowances, entry fee and promotional fee etc. Front margin decreased by 0.3 percentage point from 10.4% in 2009 to 10.1% in 2010 as a result of more price-cutting promotional activities launched to boost sales and to reduce the inventory level, thus improving liquidity of the Company. Back margin increased slightly from 8.3% to 8.4% due to our good relationships with suppliers and increased purchases.

GROSS PROFIT MARGIN



Other Revenue and Other Net Income/(Loss)

It comprised mainly of income received from leasing of store premises, promotion and service income and other net income. The increase of RMB53.0 million was mainly due to increase in leasing income of RMB24.6 million and the reversal of provision of store lease cancellation of RMB35.1 million.

Distribution and Store Operating Costs

Operating costs for the year under review was RMB1,565.9 million, approximately 16.7% of sales in 2010 (2009: RMB1,441.5 million, or 16.4% of sales). It mainly comprised of personnel, rental expenses, utilities and depreciation and amortisation for a total of RMB1,265.0 million. The controllable expenses, which are expenses that can be impacted by the actions of the store managers such as personnel, utilities and transportation expenses etc amounted to approximately RMB907.7 million, or 9.7% of sales in 2010 as compared to RMB809.3 million, or 9.2% of sales in 2009. The increase was mainly attributed to the increase of personnel expenses of RMB36.8 million due to rising labour costs and other benefits and an increase to sales promotion expenses of RMB19.6 million. Personnel related expenses, rental and utilities expenses included in distribution and store operating costs accounted for approximately 4.7%, 4.8% and 1.9% of the Group's total revenue respectively.

Administrative Expenses

Administrative expenses was RMB345.0 million, or 3.7% of sales (2009: RMB399.0 million, or 4.5% of sales), mainly included personnel expenses of RMB211.4 million, professional fee of RMB20.8 million, rental of RMB16.2 million, depreciation and amortisation of RMB21.8 million. The decrease was mainly a result of our efforts to streamline the organisation structure of the PRC regional offices.

Financial Expenses

Financial expenses was RMB264.3 million, or 2.8% of sales, a decrease of RMB77.4 million from 2009. This was mainly due to the redemption and cancellation of the convertible bonds in June 2010, resulting the elimination of all interest expenses associated with the convertible bonds after the completion of this transaction, such interest expenses amounted to approximately RMB91.5 million for the first 6 months of 2010.

Net Profit

Net profit attributable to shareholders was RMB349.3 million (2009: net loss of RMB235.7 million). Excluding the gain from convertible bonds redemption and the effect of convertible bonds interest expenses, a net profit of RMB32.3 million was recorded for 2010 compared to a loss of RMB68.1 million in 2009 on the same basis. The improvement was mainly attributable to sales growth, reduction of administrative expenses and the reversal of provision of store lease cancellation.

EBITDA

EBITDA increased by 131.1% to RMB823.5 million, EBITDA margin was 8.8% (2009: 4.1%). EBITDA excluding gain on convertible bonds redemption was RMB415.0 million or 4.4% of sales compared to RMB356.3 million in 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	2010 RMB million	2009 RMB million	Change RMB million	Change %
Fixed assets	1,690.2	1,776.9	(86.7)	(4.9)
Goodwill	2,719.8	2,719.8	–	–
Cash and cash equivalents	288.4	315.9	(27.5)	(8.7)
Pledged and restricted bank deposits	96.1	350.7	(254.6)	(72.6)
Inventories	826.7	740.3	86.4	11.7
Trade and other receivables	692.2	770.4	(78.2)	(10.2)
Other assets	336.5	335.1	1.4	0.4
Total Assets	**6,649.9**	**7,009.1**	**(359.2)**	**(5.1)**
Bank and other loans	1,798.0	2,411.5	(613.5)	(25.4)
Convertible bonds	–	1,090.7	(1,090.7)	(100.0)
Trade payables and other liabilities	3,574.7	3,372.0	202.7	6.0
Total liabilities	5,372.7	6,874.2	(1,501.5)	(21.8)
Net Assets	**1,277.2**	**134.9**	**1,142.3**	**846.8**
Share capital	280.6	212.6	68.0	0.3
Reserves	994.6	(77.7)	1,072.3	N/A
Non-controlling Interests	2.0	–	2.0	N/A
Shareholders' Equity	**1,277.2**	**134.9**	**1,142.3**	**846.8**

Fixed Assets

The changes mainly represent total depreciation and amortisation for the year of RMB207.9 million and the additions of fixed assets of RMB135.4 million.

Goodwill
The amount represents the goodwill arising from the Company's acquisition of the 21 performing stores owned by Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS") and additional interest in Qingdao Lotus Supermarket Chain Store Co., Ltd. and Shantou Lotus Supermarket Chain Store Co., Ltd. in October 2008. Impairment test on the goodwill value is carried out annually based on a number of market assumptions including discount rates, forecast growth rates and expected changes to direct prices and selling costs. As a result of sound store level operating performance, no impairment of goodwill was recorded for 2010.

Cash and Cash Equivalents
Cash and cash equivalents amounted to RMB288.4 million as of year end (2009: RMB315.9 million).

Pledged and Restricted Bank Deposits
Restricted bank deposits of RMB96.1 million was pledged to banks as guarantees for the issuance of bank accepted bills for payments to suppliers compared to the pledged and restricted bank deposits of RMB350.7 million at year end 2009. The decrease was mainly due to the release of RMB200.0 million pledged deposits and RMB74.7 million restricted deposits due to the subject bank loan has been fully repaid and the subject outstanding litigation cases have been resolved respectively during the year.

Inventories
The Group's inventories balance was RMB826.7 million as at 31 December 2010, an increase of 11.7% from RMB740.3 million as at 31 December 2009 with an average inventory turnover days of 37 days (2009: 39 days). The increase in inventory at the end of 2010 was a result of stocking up in preparation for the Chinese New Year which fell on early February 2011 and the opening of our new Guangzhou store in January 2011.

Trade and Other Receivables
Trade and other receivables decreased by 10.2% to RMB692.2 million (2009: RMB770.4 million). Included in the balance was RMB199.4 million (2009: RMB184.6 million) of trade receivables, other receivables and deposits; and RMB492.8 million (2009: RMB585.8 million) receivables from related companies. All trade and other receivables, apart from rental deposits of RMB42.0 million, are expected to be recovered within one year and thus no provision was made.

Receivables from related companies were primarily merchandise supplied/made by the Group's PRC subsidiaries to/on behalf of the other hypermarket stores held by Whole Sino Limited ("WSL Stores") (previously held by C.P. Holding (BVI) Investment Company Limited ("CPH"), both are wholly-owned subsidiaries of the Charoen Pokphand Group) under various supply and procurement services agreements. Discount and allowances received by the Group from suppliers in respect of the merchandise sold to WSL Stores is captured by the Group whereas the Group charged CPH a fee of 1.0% of the total purchases made by the Group on its behalf. It is the intention of Whole Sino Limited that purchases previously made by the Group on its behalf will now be purchased directly from the Group. We will continue to work with Whole Sino Limited and CPH closely to expedite collection.

Other Assets
Other assets of RMB336.5 million mainly comprised of intangible assets of RMB211.8 million and deferred tax assets of RMB106.6 million. Intangible assets relate to operating lease agreements acquired in the acquisition of subsidiaries in 2008 and is amortised using the straight-line method over the remaining lease terms which vary from 11 to 31 years.

Bank and Other Loans

As at 31 December 2010, the Group's total loans balance was RMB1,798.0 million, a reduction of RMB613.5 million from 2009, mainly due to the repayment of other loans amounted to RMB515.5 million during the year.

LOAN PORTFOLIO
As at 31 December 2010

	Bank loans RMB million	Loans from third parties RMB million	Loans from related parties RMB million	Total RMB million
Within one year	145.7	57.2	185.1	388.0
Over one year	1,410.0	–	–	1,410.0
Total	1,555.7	57.2	185.1	1,798.0

RMB1,555.7 million were bank loans extended by a Thai syndicate led by The Siam Commercial Bank Public Company Limited ("SCB") with a term of 6 years.

Convertible Bonds

The convertible bonds were issued by the Company on 31 October 2008 to certain of the then shareholders of SLS as part of the consideration to acquire SLS and was fully redeemed and cancelled on 30 June 2010. New convertible preference shares was issued as consideration which has no guaranteed dividends and convertible at HK$0.39 per share subject to the compliance of the minimum float requirement under the Listing Rules.

Trade Payables and Other Liabilities

The Group's trade payables and other liabilities balance at 31 December 2010 was RMB3,574.7 million (2009: RMB3,372.0 million), of which RMB3,436.9 million (2009: RMB3,134.6 million) was trade and other payables due to third parties while the remaining was payables to related parties. The Group typically receives terms of up to 60 days for payments to trade suppliers.

Reserves

The reserves balance was RMB994.6 million as at 31 December 2010 (2009: RMB(77.7) million). The significant increase was mainly due to the issue of new convertible preference shares as consideration to redeem the outstanding convertible bonds and the profit for the year.

Liquidity and Financial Resources

KEY LIQUIDITY INDICATORS

	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents (RMB million)	**288.4**	315.9
Net cash (outflow)/inflow (RMB million)	**(27.5)**	54.3
Current ratio (x)	**0.51**	0.42
Quick ratio (x)	**0.29**	0.28

During the year, the Group's source of fund was generated primarily from operating activities. The net cash decrease was mainly due to repayment of bank and other loans. With the continued improvement of our retail operations, we expect we will have sufficient cash to meet our business needs.

Foreign Currency Exposure

The directors consider that as the Group's retail operations are all based in the PRC, the Group is 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 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 USD bank loans borrowed by PRC subsidiaries, as RMB is expected to be appreciated 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.

Contingent Liabilities

As at the reporting date, the Company had issued two guarantees to an independent third party which expire in 2025 and two guarantees to a bank which expire in March 2011 and July 2011 respectively in respect of finance lease arrangements entered into by its subsidiaries. The directors did not consider it probable that claims will be made against the Company under any of the guarantees. The maximum liability of the Company at the reporting date under the guarantees issued was 100% of the future minimum lease payments under the two lease agreements entered into by the subsidiaries of RMB100.0 million.

Charge on Assets

A share charge has been entered into between Union Growth Investments Limited ("Union Growth"), a wholly-owned subsidiary of the Company, and C.P. Merchandising Co. Ltd. ("CPM") on 30 May 2006 whereby Union Growth has agreed to pledge 38,960,000 registered shares of Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF"), a wholly-owned subsidiary of the Company to CPM as security for the due and punctual performance of its obligation under a Share Sale and Purchase Agreement dated 27 February 2006 made between Union Growth and CPM, in relation to the acquisition of the remaining 40% of Lotus-CPF. The share charge has been released in November 2010 as secured obligations have been discharged in full.

As at 31 December 2009, RMB200.0 million bank deposits were pledged to banks to secure banking facilities and bank borrowing to the Group, these pledged deposits have been fully released upon the completion of the Refinancing during the year.

A share charge has been created by the Company in favour of SCB on 22 March 2010 whereby the Company has agreed to pledge all shares of Prime Global Retail Management & Advisory Limited to SCB.

An equitable share mortgage has been created by the Company jointly with Union Growth and Lotus-CPF (collectively known as the "Mortgagors") in favour of SCB on 22 March 2010 whereby the respective Mortgagors have agreed to pledge all shares of 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, Union Growth and Chia Tai-Lotus (Guangdong) Investment Co. Ltd. and 58,440,000 shares of Lotus-CPF to SCB.

An equitable share mortgage has been created by Union Growth in favour of SCB on 15 December 2010 whereby Union Growth has agreed to pledge 38,960,000 shares of Lotus-CPF to SCB.

The abovementioned share charge and equitable share mortgages in favour of SCB were created to secure the Company's term loan facility of USD145.0 million which will expire on 31 December 2015 with instalment repayments scheduled during its term.

BUSINESS REVIEW

During the year under review, the Group did not open any new store but was actively seeking suitable site locations in a very prudent manner. One new store was opened in January 2011 in Guangzhou with a building area and sales area of approximately 10,300 sqm and 5,300 sqm respectively, providing over 500 car parking spaces.

The Group continued to focus its efforts on its TOP strategy to remain competitive.

Transform stores and merchandise to delight new generation customers

Upgrading of Stores to Lifestyle Model

During the year under review, the Group completed the renovation of a further 13 stores with a total renovated space of over 250,000 sqm in order to provide more varieties, higher quality products and convenient one-stop shopping experience to our customers. The transformation has so far brought about encouraging results with sales increased by 8 to 15% whereas profitability increased by 30 to 40%. The average payback period for our investment is approximately 1 to 1.5 years.

Excel in integrated Operations with service excellence

Enhancement of Product Offering and Optimisation of Product Mix

We launched the ABC merchandise project where we divide merchandise assortment into 3 classes: A class to keep, B class to develop and C class to transform. Before the launch of the ABC merchandise project, our average assortment comprised approximately 20%, 30% and 50% of class A, B, and C products generating 80%, 15% and 5% revenue respectively. The plan was to increase class A product to 60% of total assortment, generating 80% of revenue and reduce class C products to 10%. Class A products are fast moving items. The objective is to increase Group sales and profit by reducing out of stock, display effectively, deleting non-movement and slow movement items, and introducing new and quality items. During the year under review, over 66,000 new items were introduced and over 45,000 under-performed items were removed.

We also developed the shop-in-shop model in some of our Shanghai stores, bringing in high quality and branded tenant to our sales area such as Uniqlo, CP Food and Samsung, further strengthening our offerings. This model has proven a success so far and we plan to introduce it to other regions.

Increase Operation Efficiency

Inventory Management, Operation and Supply Chain teams worked together to reduce the size of the store backroom and thus lower the level of inventory by better utilising our distribution centre network. More deliveries were made during the day to the stores to ensure no out of stock and reduce the inventory in backroom. Better tab planning to ensure only popular and high demand products were selected to avoid slow moving items was stocked up.

We continued our vendor evaluation project in 2010, the project helps us to understand vendor performance objectively and impartially so that tailor-made action plan can be drawn up. It also provides information to help enhance the quality performance of vendors and eliminate unqualified vendors.

In the past, invoice matching was conducted in VMS by finance staff in different regions. We modified our VMS system to integrate with new invoice matching software to support centralised invoice matching process. Our IS department also delivered over 2,000 business system enhancements of which 51% related to merchandise department, 20% related to store operations and 29% related to corporate support departments.

To provide our customers with more quality service, we redesigned and renovated our customer service counters in our stores providing seats to the waiting customers. Besides, we installed a ticket controlled queuing system, allowing a customer take a sequentially numbered ticket, organising the queue flow.

Membership Card Programme

We launched our membership programme "Lotus Fresh Card" in the first quarter of 2010 in addition to the current co-brand card programme with Bank of Communication in order to reward customer loyalty and attract new customers. Currently, members can enjoy special members' price of selected products and get special premium and service with accumulated points. Information gathered will be used to analyse customer spending behaviours and preferences and special marketing strategies will be devised to provide our loyal customers with further benefits. We now have a total membership of over 2.6 million.

Major Marketing Activities to Boost Sales and Brand Awareness

In order to create a new "youthful, trendy, energetic" brand image, we cooperated with Hunan TV to organise the Happy Boys Live Show in Super Brand Mall in August 2010. We promoted "Happy Items" and designed Happy Boys T-shirt which were sold at our Lotus stores. We also cooperated with the Columbia Picture Group, becoming the strategic partner of the Hollywood 3D movie "Green Hornet", we were able to increase our brand awareness through the 30 seconds commercial before the movie and co-brand promotion.

Develop People with win-win growth

As at 31 December 2010, the Group employed a total of approximately 13,900 employees, of which approximately 1,900 were head office staff and 12,000 were store employees. In 2010, total 183 employees were recruited through the cooperation with the Charoen Pokphand Corporate University ("CPCU") team. CPCU was established in 2007 by the Charoen Pokphand Group, the objective is to recruit and develop talented graduates from leading universities in Shanghai, Beijing and Guangzhou through various courses and on the job training, providing Lotus with a pool of future leaders. In addition, CPCU also offers training programmes to existing Lotus employees.

In 2010, among our growth priorities, the development of a strong foundation of leadership pipeline is always a top priority. Besides the recruitment of high caliber management trainees, the Group also selected 8 functional leaders to participate in a 6-month CP Corporate Leadership Programme with project based action learning methodology to develop strategic business competency as well as personal leadership skills.

The Group continued its commitment on People and Manager Development. To improve our employees' knowledge and skills, the Group launched training programmes such as continuing degree education programmes, orientation programme to focus on communication with the culture, principle of our Group and behaviour, operation procedures and guideline of our work standard and entry-level management skills for our first line supervisors.

In 2010, we continued to reinforce the performance management processes with focus on developing the key performance indicators ("KPI") and launch performance based bonus programme for our key functions – store operation and merchandise. With the information generated from the Mercer Consulting Project in 2009, after the launch of a position based salary structure in 2009, a bonus plan for store operation was announced in May 2010 and bonus plan for merchandise was pilot in October 2010. The objective is to reward and retain high performing team and individuals.

LOOKING AHEAD

China has become the second largest economy in the world in 2010 and its retail industry has reached a stable and high-speed development stage with an annual growth rate of over 10% since the beginning of the 21st century. China's retail market will continue to share the benefits from the fast development of China's economy and increasing personal consumption resulting from rapid urbanization, increasing middle-class population and improving social security system and the government's policies to encourage consumption.

We will continue our store transformation to Lifestyle model in 2011 and plan to finish renovation of all stores by the end of the year. While continue to focus on the development and improvement of our existing stores, we will step up our store expansion plan in 2011 to gain market share and capture the enormous opportunities of the PRC retail market. Except the Lotus store in Super Brand Mall, all our other stores are hypermarket format with a sales area of at least 7,000 sqm. In 2011, we will continue to develop other retail formats in order to cater for different customer needs – our second supermarket store will be opened in April in the thriving Xintiandi, Shanghai.

With the success of the shop-in-shop model launched in some of the Shanghai stores in 2010, we will take this new model to all our Lotus stores. Different theme zone will be created in collaboration with leading vendors e.g "Safety and Healthy Dining Zone" with Nestle; "Mom & Child" zone with P&G; and "Samsung City" with Samsung.

We will continue to optimise our product mix to achieve at least 60% class A products generating 80% of revenue. We target to introduce 800 new class A items and delete at least 800 class C items every month. We will ensure that class A products are always in stock and that our customers are always provided with products that they need, want and dream of.

We will continue to upgrade our IT system in order to increase overall efficiency and reduce costs, the old server will be replaced to expand the data storage and improve performance. We would introduce ISO27000, a series of standards have been specifically reserved by the ISO to provide a model for establishing, monitoring, maintaining and improving Lotus information security management system.

We will continue to recruit and develop high caliber talents for the Group in supporting our growth strategy. We will work more closely with CPCU and other leading universities to recruit and develop leaders at all levels. We will continue to implement the performance KPI evaluation to ensure everyone is properly rewarded for their contribution to the Group. We will reinforce "customer centric" and "service excellence" through trainings and better communications.

Corporate Governance Report

The Company is committed to maintaining the highest standards of corporate governance that properly protect and promote the interests of all shareholders at all times. The Board believes that good corporate governance practices are the cornerstones for a successful business, not an exercise in compliance.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the Group's corporate governance guidelines and practices. During the year, the Company has applied the principles and complied with all the relevant code provisions prescribed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

THE BOARD

The Board is accountable to the shareholders for the leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses. The Board decides on corporate strategies and supervises the financial performance, management and organisation on behalf of the shareholders.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to certain executive directors and senior management and certain specific responsibilities to the Board committees.

Board Composition

As at the date of this Report, the Board comprises of fifteen members, twelve are executive directors (including a Chairman, a Chief Executive Officer ("CEO") and three Vice Chairmen) and three are independent non-executive directors. Detailed biographies of the directors can be found on pages 22 to 24 of this annual report.

The title of Mr. Soopakij Chearavanont has changed from Executive Vice Chairman to Vice Chairman with effect from 1 September 2010. Messrs. Michael Ross and Yang Xiaoping ceased to be Executive Vice Chairman and Vice Chairman respectively with effect from 1 September 2010.

Messrs. Piyawat Titasattavorakul and Shih Hong-Mo have been appointed as executive directors, Messrs. Tse Ping and Zheng Mengyin have resigned as executive directors & Vice Chairmen and Messrs. Nopadol Chiaravanont, Chatchaval Jiaravanon and Kachorn Chiaravanont have resigned as executive directors, all with effect from 1 September 2010.

Confirmation has been received from all independent non-executive directors that they are independent as required by the Listing Rules.

Chairman and the Chief Executive Officer

Although Mr. Dhanin Chearavanont is the father of Mr. Soopakij Chearavanont, the roles of Chairman and CEO of the Company are clearly segregated with a view to maintain an effective segregation of duties between management of the Board and day-to-day management of the Group's business.

Mr. Dhanin Chearavanont is the Chairman of the Company. He is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company and providing leadership to the Board so that the Board works efficiently and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Mr. Soopakij Chearavanont is the CEO & Vice Chairman of the Company and is responsible for managing the Group's business and operations.

Board and Committee Attendance
The Board held four regular meetings in 2010. Details of the attendance of each individual director at Board meetings and committee meetings during 2010 are set out below:

	No. of meetings attended/held		
Directors	Board	Remuneration Committee	Audit Committee
Executive Directors			
Mr. Dhanin Chearavanont	4/4	–	–
Mr. Soopakij Chearavanont	4/4	1/1	1/2
Mr. Narong Chearavanont	4/4	–	–
Mr. Li Wen Hai	3/4	–	–
Mr. Meth Jiaravanont	3/4	–	–
Mr. Michael Ross	4/4	–	2/2
Mr. Yang Xiaoping	2/4	–	–
Mr. Umroong Sanphasitvong	4/4	1/1	2/2
Mr. Robert Ping-Hsien Ho	4/4	–	–
Mr. Suphachai Chearavanont	2/4	–	–
Mr. Piyawat Titasattavorakul (appointed on 1 September 2010)	1/2	–	–
Mr. Shih Hong-Mo (appointed on 1 September 2010)	2/2	–	–
Mr. Tse Ping (resigned on 1 September 2010)	1/2	–	–
Mr. Zheng Mengyin (resigned on 1 September 2010)	1/2	–	–
Mr. Nopadol Chiaravanont (resigned on 1 September 2010)	0/2	–	–
Mr. Chatchaval Jiaravanon (resigned on 1 September 2010)	0/2	–	–
Mr. Kachorn Chiaravanont (resigned on 1 September 2010)	0/2	–	–
Independent Non-Executive Directors			
Mr. Viroj Sangsnit	4/4	1/1	2/2
Mr. Chokchai Kotikula	3/4	1/1	2/2
Mr. Cheng Yuk Wo	4/4	1/1	2/2
No. of meetings	**4**	**1**	**2**

Mr. Dhanin Chearavanont is the father of Messrs. Soopakij Chearavanont, Narong Chearavanont and Suphachai Chearavanont. He is an uncle of Messrs. Tse Ping, Meth Jiaravanont, Nopadol Chiaravanont, Chatchaval Jiaravanon and Kachorn Chiaravanont. Mr. Dhanin Chearavanont is the father-in-law of Mr. Michael Ross. Messrs. Soopakij Chearavanont, Narong Chearavanont and Suphachai Chearavanont are brothers. They are the cousins of Messrs. Tse Ping, Meth Jiaravanont, Nopadol Chiaravanont, Chatchaval Jiaravanon and Kachorn Chiaravanont. Messrs. Tse Ping, Meth Jiaravanont, Nopadol Chiaravanont, Chatchaval Jiaravanon and Kachorn Chiaravanont are cousins. Mr. Michael Ross is the brother-in-law of Messrs. Soopakij Chearavanont, Narong Chearavanont and Suphachai Chearavanont and cousin-in-law of Messrs. Tse Ping, Meth Jiaravanont, Nopadol Chiaravanont, Chatchaval Jiaravanon and Kachorn Chiaravanont. Save as disclosed above, there are no family relationships among members of the Board.

Securities Transactions by Officers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, they confirmed that they have fully complied with the required standards as set out in the Model Code. Officers/ employees deemed to be in possession of unpublished price-sensitive or confidential information in relation to the Company or its shares are required to prohibit from dealing in securities of the Company in accordance with written guidelines.

Appointment, Re-election and Removal

Appointment of new directors is a matter for consideration by the Board. It reviews the profiles of the candidates and makes recommendations on the appointment, re-election and retirement of directors. During the year, two directors were appointed by the Board and five directors resigned. All newly appointed directors are briefed by the Company's lawyers about their duties and obligations as a director of a listed company in Hong Kong.

The executive directors are not appointed for a specific term. The independent non-executive directors are appointed for successive term of one year each. All the directors are subject to retirement by rotation and re-election by shareholders at general meeting of the Company, in accordance with the Articles of Association of the Company.

Directors who are appointed by the Board must retire at the next following general meeting/ annual general meeting after their appointments, but they are eligible for re-election at that general meeting, and such election is separate from the normal retirement of directors by rotation. According to the Articles of Association of the Company, at least one-third of the directors who have served the longest on the Board from last re-election are required to retire by rotation at each annual general meeting. The retiring directors are eligible for re-election at the same annual general meeting.

BOARD AND OTHER COMMITTEES

Audit Committee

The Audit Committee consists of three independent non-executive directors of the Company, Messrs. Cheng Yuk Wo (Chairman), Viroj Sangsnit and Chokchai Kotikula with the purpose of monitoring the integrity of the Group's financial statements and provides assurances to the Board that these comply with accounting standards, stock exchange and legal requirements in relation to financial reporting. The Audit Committee met twice in 2010 to review work done by internal and external auditors, oversees financial reporting system and internal control procedures. The Committee receives updates from internal audit department and has dialogue with senior management on their control responsibilities. Written terms of reference is posted on the Company's website.

During the year under review, the remuneration paid/payable to the Group's external auditors, Messrs. KPMG is set out as follows:

	Fee Paid/Payable 2010 (RMB'000)
Audit Services	3,500
Other Assurance Services	200

Remuneration Committee

The Remuneration Committee consists of Messrs. Soopakij Chearavanont (Chairman), Umroong Sanphasitvong and the three independent non-executive directors, Messrs. Viroj Sangsnit, Chokchai Kotikula and Cheng Yuk Wo. The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference is posted on the Company's website. The Remuneration Committee is responsible for the formulation of the Group's remuneration policies and for the approval of remuneration packages for all directors except that its members do not participate in the determination of their own remuneration. The Remuneration Committee met once in 2010 to discharge its duties. Details of the directors' emoluments are set out in Note 7 to the financial statements.

Lotus China Investment Committee

The Lotus China Investment Committee ("LCIC") reviews any new business initiatives, any proposed new store development and any proposed renovation project where the total investment budget projected at or in excess of RMB5 million. Members of the LCIC include Messrs. Soopakij Chearavanont (Vice Chairman & CEO), Narong Chearavanont (Vice Chairman), Chief Financial Officer, Deputy Chief Financial Officer and other senior management and any proposal must be approved jointly by Messrs. Soopakij Chearavanont, Narong Chearavanont and Chief Financial Officer or Deputy Chief Financial Officer. LCIC annual meeting is scheduled during October/November each year, in conjunction with the annual budget preparation and will meet monthly and at urgent request to review any additional project requests.

Capital Expenditure Review Committee

The Capital Expenditure Review Committee ("CERC") reviews any new business initiatives, any proposed new store development and any proposed renovation project where the total investment budget projected in between RMB1 million to RMB5 million. Members of the CERC include Chief Financial Officer and/or Deputy Chief Financial Officer, Chief Operating Officer and other senior management and any proposal must be approved jointly by Chief Financial Officer or Deputy Chief Financial Officer and Chief Operating Officer. CERC will meet monthly and at urgent request to review any additional project requests.

INTERNAL CONTROL, RISK MANAGEMENT AND FINANCIAL REPORTING

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets against unauthorised use or disposition. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial, operational controls, and risk management to ensure that its assets and resources remain secure at all times.

The role of the Audit Committee is, through dialogue with management, and the use of risk management and internal audit functions to review the effectiveness of the internal control systems and to report to the Board any significant risks and issues.

Risk Management is responsible for analysing possible risks that may affect the Company's business operations; find measures to eliminate, prevent and control risk. The Company has invested in distribution centre and information technology systems such as the store management system and the distribution centre system. Information technology has played a major role in assisting the Company to achieve higher efficiency in data storage and analysis. Therefore, an error or problem in the information technology systems will affect the Company's ability to manage store operation on a normal basis and may negatively affect the Company's operating performance.

The internal audit department is fully independent of business operations. It has full and complete access to any of the Company's records, physical properties and personnel relevant to a review. The authority of the department is defined by the Audit Committee and reports administratively to the CEO and functionally to the Audit Committee.

The objective of operation audit is to provide an independent and objective evaluation of the quality and effectiveness of store operations including internal controls established by the management. Each store has to go through a monthly detailed inspection of key operating activities such as cash movement, goods receiving, claims and payments. Storewide physical counts are carried out at least once a year. The operation audit department reports to the CFO.

The Board acknowledges its responsibility for the preparation of financial statements which give a true and fair view of the Group's state of affairs. Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

COMMUNICATIONS WITH SHAREHOLDER AND INVESTORS

Effective communication with shareholders and investors and the provision of high standards of disclosure and financial transparency have always been one of the Group's priorities. A number of formal communication channels are account to shareholders for the performance of the Group including the annual and interim report and the press release and announcements. Annual general meeting and other general meetings provide a useful opportunity for the Board to maintain a constructive dialogue with our shareholders.

The Group is committed to maintain continuing open dialogue with institutional investors and analysts as a means of developing their understanding of our strategy, operations, management and plans and raising any issues they may have and provide the Group with valuable feedbacks and insights.

The Company has its company website http://www.cplotuscorp.hk which provides additional channel for shareholders and interested parties to access the Group's information.

Mr. Dhanin Chearavanont, aged 71, has been appointed as Executive Director and Chairman of the Company since 31 December 2009. He is also the Chairman and Chief Executive Officer of the Charoen Pokphand Group. Mr. Dhanin Chearavanont has extensive experience in establishing and operating businesses in Asia, Europe and USA. He is an executive director of C.P. Pokphand Co. Ltd. ("CPP"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). He was Executive Chairman of CPP and this title was subsequently changed to Chairman with effect from 28 February 2010. Mr. Dhanin Chearavanont is also the Chairman of Charoen Pokphand Foods Public Company Limited, True Corporation Public Company Limited ("TRUE") and CP ALL Public Company Limited ("CPALL") and an advisor to the board of directors of Siam Makro Public Company Limited, which are companies listed on The Stock Exchange of Thailand ("SET").

Mr. Soopakij Chearavanont, aged 47, has been an Executive Director and Chairman of the Company since 2000. He has been re-designated as Chief Executive Officer & Executive Vice Chairman of the Company with effect from 1 May 2008; his title of Executive Vice Chairman was changed to Vice Chairman with effect from 1 September 2010. He is also the Chairman of the Remuneration Committee of the Company. Mr. Soopakij Chearavanont obtained a Bachelor of Science degree in the College of Business and Public Administration of New York University, USA and has extensive multinational investment and management experience in various industries. He is an executive director of CPP, a company listed on the Main Board of SEHK. He has been appointed as Vice Chairman of CPP with effect from 28 February 2010. Mr. Soopakij Chearavanont is also a director of TRUE and CPALL, which are companies listed on SET. He is also the Chairman of True Visions Public Company Limited.

Mr. Narong Chearavanont, aged 45, has been an Executive Director of the Company since 2001. He was re-designated as Vice Chairman of the Company in September 2006. He obtained a Bachelor of Science degree in Business Administration from New York University, USA, Certificate of Advance Management Program in Transforming Proven Leaders into Global Executives from Harvard Business School, Harvard University, USA and an Honorary Doctorate degree of Business Administration from Ramkamhaeng University, Thailand. Mr. Narong Chearavanont has extensive experience in the retail and trading industries. He is a director of TRUE and CPALL, which are companies listed on SET.

Mr. Li Wen Hai, aged 53, has been an Executive Director of the Company since September 2006. He was re-designated as Vice Chairman of the Company with effect from 18 April 2008. Mr. Li obtained a Master degree in Business Administration from Huazhong Normal University, PRC and is a senior economist. He has extensive experience in retail business.

Mr. Meth Jiaravanont, aged 52, has been an Executive Director of the Company since 2005. He obtained a Bachelor of Arts degree in Economics from Occidental College, California, USA and a Master degree in Business Administration from New York University, USA. Mr. Jiaravanont has extensive experience in investment, finance, banking and strategic business development in Asia and USA. He was an executive director and an Executive Vice Chairman of CPP, a company listed on the Main Board of SEHK; his title of Executive Vice Chairman was changed to Vice Chairman with effect from 28 February 2010; subsequently Mr. Jiaravanont resigned as Vice Chairman of CPP with effect from 1 June 2010, and was re-designated as a non-executive director of CPP with effect from 9 August 2010. He is currently the Senior Executive Assistant to the Chairman-Finance of Charoen Pokphand Group Company Limited and a director of CPPC Public Company Limited.

Biographical Details of Directors

Mr. Michael Ross, aged 46, has been an Executive Director of the Company since September 2006. He was re-designated as Executive Vice Chairman of the Company with effect from 1 May 2008 and he ceased to hold such position with effect from 1 September 2010. Mr. Ross obtained a Master degree in Science from University of Salford, United Kingdom and a Bachelor degree in Hospitality Management from The Hong Kong Polytechnic University, Hong Kong. He has completed an Executive Program at the Kennedy School of Government of Harvard University in USA in 2009. He has extensive experience in retail business. Since joining Lotus Supercenter in 1999, he has served in major key positions in Business Development, Operations and Merchandising. During this period, Mr. Ross had also served as Regional President in Southern Region & Eastern Region of Lotus.

Mr. Yang Xiaoping, aged 47, has been an Executive Director of the Company since April 2000. He was re-designated as Vice Chairman of the Company with effect from 14 May 2007 and he ceased to hold such position with effect from 1 September 2010. Mr. Yang has more than 20 years' of extensive experience in international trading and investment in the PRC and has good contact with central, provincial and municipal governors.

Mr. Umroong Sanphasitvong, aged 58, has been an Executive Director of the Company since 2005. He was appointed as a member of the Remuneration Committee of the Company in December 2006. He obtained a Bachelor and a Master degree in Accounting from Thammasat University, Thailand and has extensive experience in financial management. Mr. Sanphasitvong is currently a director of TRUE, CPALL, which are companies listed on SET, and of CPPC Public Company Limited and Ayudhya Allianz C.P. Life Public Company Limited. He is also the Deputy Group Chief Financial Officer of Charoen Pokphand Group Company Limited.

Mr. Robert Ping-Hsien Ho, aged 62, has been an Executive Director of the Company since 2000. He obtained a Bachelor of Business Administration degree from College of Law, National Taiwan University. Mr. Ho has more than 30 years' of experience in management and finance. He is currently an executive director of CPP, a company listed on the Main Board of SEHK, and the Chief Financial Officer, International of the Charoen Pokphand Group.

Mr. Suphachai Chearavanont, aged 44, has been an Executive Director of the Company since 2000. He obtained a Bachelor of Science degree in Business Administration from Boston University in USA, majoring in Financial Management. Mr. Suphachai Chearavanont has extensive experience in the telecommunication and broadcasting industries. He is an executive director of CPP, a company listed on the Main Board of SEHK and a director, President and Chief Executive Officer of TRUE, which is a company listed on SET. Mr. Suphachai Chearavanont is also a director and Chief Executive Officer of True Visions Public Company Limited and True Move Company Limited.

Mr. Piyawat Titasattavorakul, aged 57, was appointed as Executive Director of the Company with effect from 1 September 2010. He obtained a Bachelor Degree majoring in Marketing from Ramkhamhaeng University, Thailand. He has extensive experience in the marketing and retail business. Mr. Titasattavorakul is the President of CPALL, a company listed on SET.

Mr. Shih Hong-Mo, aged 57, was appointed as Executive Director of the Company with effect from 1 September 2010. He graduated from National Tsing Hua University, Taiwan. He has extensive experience in the retail business. Mr. Shih is currently the Chief Executive Officer of Shanghai Kinghill Limited and Chia Tai Commercial Real Estate Management Co., Ltd. He is also the Vice Chairman of Lotus (China Area). He has previously been a General Manager of Taiwan Pacific Sogo Department Stores (North China Area).

Mr. Viroj Sangsnit, aged 75, has been an Independent Non-Executive Director of the Company and a member of Audit Committee of the Company since 1999. He is also a member of Remuneration Committee of the Company. Mr. Sangsnit was the Deputy Minister of Transport from 1991 to 1992 and the Deputy of Minister of Defense in 1996 in Thailand.

Mr. Chokchai Kotikula, aged 72, has been an Independent Non-Executive Director of the Company and a member of Audit Committee of the Company since 1999. He is also a member of Remuneration Committee of the Company. Mr. Kotikula is the Chairman of the Bangkok Law Office & Associates, Luang Thepnarin Law Office and Thep Law Office and Advisor to the Deputy Minister of Interior in Thailand.

Mr. Cheng Yuk Wo, aged 50, has been an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee of the Company since 2004. He is also a member of the Remuneration Committee of the Company. Mr. Cheng obtained a Master of Science (Economics) degree, majoring in Accounting and Finance from London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from University of Kent, England. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng has over 20 years' of expertise in accounting, finance and corporate advisory services.

Mr. Cheng is currently an executive director of 21 Holdings Limited, an independent non-executive director of CSI Properties Limited, Chong Hing Bank Limited, HKC (Holdings) Limited, Goldbond Group Holdings Limited, CPMC Holdings Limited and Imagi International Holdings Limited, the abovementioned companies are listed on the Main Board of SEHK, and of South China Land Limited, which is listed on the GEM Board of SEHK.

Mr. Dhanin Chearavanont is the father of Messrs. Soopakij Chearavanont, Narong Chearavanont and Suphachai Chearavanont. He is an uncle of Mr. Meth Jiaravanont and the father-in-law of Mr. Michael Ross. Messrs. Soopakij Chearavanont, Narong Chearavanont and Suphachai Chearavanont are brothers. They are the cousins of Mr. Meth Jiaravanont. Mr. Michael Ross is the brother-in-law of Messrs. Soopakij Chearavanont, Narong Chearavanont and Suphachai Chearavanont and cousin-in-law of Mr. Meth Jiaravanont. Save as disclosed above, there are no family relationships between any director or senior management of the Company.

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Through its subsidiaries, the Company is principally engaged in the operation of large scale one-stop shopping centres, Lotus Supercenters located in the northern, southern and eastern parts of China.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 37 of the financial statements.

The Directors do not recommend the payment of a dividend in respect of the year (2009: Nil).

FIXED ASSETS

During the year, the Group spent approximately RMB135,400,000 on additions of fixed assets mainly for the transformation of existing Lotus Supercenters into Lifestyle Malls.

Details of movements in the fixed assets during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

During the year, 3,897,110,334 new convertible preference shares were issued as consideration for the redemption of convertible bonds with an aggregate principal amount of HK$1,519.9 million.

On 29 November 2010, the reduction of an amount of HK$1,217,243,000 in the share premium account of the Company was approved by the shareholders of the Company.

DISTRIBUTABLE RESERVES

In accordance with the Company's Articles of Association, distributions shall be payable out of the profits of the Company. Accordingly, the Company has distributable reserves of HK$1,124,405,000 (equivalent to RMB1,019,161,000) as at 31 December 2010 (2009: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Save for certain transactions disclosed in the sections entitled "Connected Transactions" and "Continuing Connected Transactions" in this report, none of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) of the Company has any interest in the Group's five largest customers and suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Dhanin Chearavanont	
Mr. Soopakij Chearavanont	
Mr. Narong Chearavanont	
Mr. Li Wen Hai	
Mr. Meth Jiaravanont	
Mr. Michael Ross	
Mr. Yang Xiaoping	
Mr. Umroong Sanphasitvong	
Mr. Robert Ping-Hsien Ho	
Mr. Suphachai Chearavanont	
Mr. Piyawat Titasattavorakul	(appointed on 1 September 2010)
Mr. Shih Hong-Mo	(appointed on 1 September 2010)
Mr. Tse Ping	(resigned on 1 September 2010)
Mr. Zheng Mengyin	(resigned on 1 September 2010)
Mr. Nopadol Chiaravanont	(resigned on 1 September 2010)
Mr. Chatchaval Jiaravanon	(resigned on 1 September 2010)
Mr. Kachorn Chiaravanont	(resigned on 1 September 2010)

Independent Non-Executive Directors:

Mr. Viroj Sangsnit
Mr. Chokchai Kotikula
Mr. Cheng Yuk Wo

In accordance with Articles 99 and 116 of the Company's Articles of Association, Messrs. Meth Jiaravanont, Michael Ross, Yang Xiaoping, Piyawat Titasattavorakul, Shih Hong-Mo, Viroj Sangsnit and Chokchai Kotikula, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM"). Details of the directors proposed to be re-elected at the forthcoming AGM have been set out in the relevant circular to be despatched to the shareholders of the Company.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive directors of the Company are appointed for successive term of one year each and are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Articles of Association.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and considers all of the independent non-executive directors are independent.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

As at 31 December 2010, the directors were not aware that any of the directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Director's interests in shares of associated corporations

Name of Director	Name of associated corporation	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Dhanin Chearavanont	Charoen Pokphand Group Company Limited	228,277,810	12.96%
	Kinghill Limited	5,882,196	2.80%
Mr. Li Wen Hai	Kinghill Limited	100,000	0.05%
Mr. Yang Xiaoping	Kinghill Limited	100,000	0.05%
Mr. Umroong Sanphasitvong	Charoen Pokphand Foods Public Company Limited	2,000,000	0.03%
Mr. Robert Ping-Hsien Ho	Kinghill Limited	50,000	0.02%
Mr. Piyawat Titasattavorakul	Charoen Pokphand Foods Public Company Limited	700,000	0.01%
Mr. Shih Hong-Mo	Kinghill Limited	100,000	0.05%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (continued)

(ii) Directors' interests in share options granted by the Company

Pursuant to the share option scheme adopted by the Company on 31 May 2002 (the "Scheme"), the Company had on 6 June 2002, 10 November 2003 and 24 May 2005 granted to certain Directors of the Company the rights to subscribe for ordinary shares in the capital of the Company at exercise prices of HK$0.07, HK$0.19 and HK$0.11 per share respectively, details of which are as follows:

				Number of share options					
Name of directors	Date of grant	Exercisable period	Exercise price HK$	As at 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2010
Mr. Soopakij Chearavanont	6 June 2002	6 June 2002 to 5 June 2012	0.07	59,966,144	–	–	–	–	59,966,144
	10 November 2003	10 November 2003 to 9 November 2013	0.19	59,966,144	–	–	–	–	59,966,144
	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144
Mr. Narong Chearavanont	6 June 2002	6 June 2002 to 5 June 2012	0.07	59,966,144	–	–	–	–	59,966,144
	10 November 2003	10 November 2003 to 9 November 2013	0.19	59,966,144	–	–	–	–	59,966,144
	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144
Mr. Meth Jiaravanont	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144
Mr. Yang Xiaoping	6 June 2002	6 June 2002 to 5 June 2012	0.07	59,966,144	–	–	–	–	59,966,144
	10 November 2003	10 November 2003 to 9 November 2013	0.19	59,966,144	–	–	–	–	59,966,144
	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (continued)

(ii) Directors' interests in share options granted by the Company (continued)

				Number of share options					
Name of directors	Date of grant	Exercisable period	Exercise price HK$	As at 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2010
Mr. Umroong Sanphasitvong	6 June 2002	6 June 2002 to 5 June 2012	0.07	59,966,144	–	–	–	–	59,966,144
	10 November 2003	10 November 2003 to 9 November 2013	0.19	59,966,144	–	–	–	–	59,966,144
	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144
Mr. Robert Ping-Hsien Ho	6 June 2002	6 June 2002 to 5 June 2012	0.07	59,966,144	–	–	–	–	59,966,144
	10 November 2003	10 November 2003 to 9 November 2013	0.19	59,966,144	–	–	–	–	59,966,144
	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144
Mr. Suphachai Chearavanont	6 June 2002	6 June 2002 to 5 June 2012	0.07	59,966,144	–	–	–	–	59,966,144
	10 November 2003	10 November 2003 to 9 November 2013	0.19	59,966,144	–	–	–	–	59,966,144
	24 May 2005	24 May 2005 to 23 May 2015	0.11	59,966,144	–	–	–	–	59,966,144
Total:				1,139,356,736	–	–	–	–	1,139,356,736

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executive of the Company had any interest or short positions in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITIONS WHICH IS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Name of shareholders	Notes	Number of shares held	Approximate percentage of shareholding (Note 1)
C.P. Holding (BVI) Investment Company Limited ("CPH")	(2)	12,304,236,430	133.97%
Worth Access Trading Limited ("Worth Access")	(2)	12,304,236,430	133.97%
C.P. International Investment Limited ("CP International")	(2)	12,304,236,430	133.97%
Charoen Pokphand Group Company Limited ("CPG")	(2)	12,304,236,430	133.97%

Notes:

(1) The percentages shown are based on the total number of shares in issue as at 31 December 2010.

(2) Worth Access had declared an interest in the same 12,304,236,430 shares in which CPH had declared an interest by virtue of Worth Access' shareholding in CPH whilst CP International also declared an interest in such number of shares by virtue of its shareholding in Worth Access. CPG had declared an interest in the same 12,304,236,430 shares by virtue of its shareholding in CP International.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2010.

DISCLOSURE PURSUANT TO RULE 13.18 OF LISTING RULES

On 22 May 2006, the Company entered into an agreement (the "Facility Agreement") with a bank in Thailand pursuant to the terms and subject to the conditions of which, the Company was granted a term loan facility of USD50 million which expired on 31 March 2009. The loan has been renewed and extended to 31 March 2012 and it was repaid on 1 April 2010.

On 28 December 2009, the Company entered into an agreement (the "New Facility Agreement") with a bank in Thailand pursuant to the terms and subject to the conditions of which, the Company was granted a term loan facility of USD145 million which will expire on 31 December 2015.

Pursuant to the Facility Agreement and New Facility Agreement, it would be an event of default thereunder if the Company fails to ensure that its controlling shareholder, the Chearavanont Family (being any one or more of Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont (or any company or companies controlled by one or more of them) collectively) at all times maintain their aggregate shareholding (direct or indirect) in the Company of more than 50%.

The occurrence of the aforesaid event of default would render all outstanding liabilities of the Company under the Facility Agreement and New Facility Agreement to become immediately due and payable.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF LISTING RULES

Mr. Dhanin Chearavanont was Executive Chairman of C.P. Pokphand Co. Ltd. ("CPP"), a company listed on the Main Board of the Stock Exchange; this title was subsequently changed to Chairman with effect from 28 February 2010. Mr. Dhanin Chearavanont was also an independent director and Honorary Chairman of Siam Makro Public Company Limited ("Makro"), a company listed on The Stock Exchange of Thailand. He ceased to be a director of Makro with effect from 11 November 2010 and became an advisor to its board of directors.

Mr. Soopakij Chearavanont was an Executive Vice Chairman of the Company; this title was changed to Vice Chairman with effect from 1 September 2010. Mr. Soopakij is an executive director of CPP, a company listed on the Main Board of the Stock Exchange and he has been appointed as Vice Chairman of CPP with effect from 28 February 2010.

The Chinese name of Mr. Narong Chearavanont was changed from 謝漢人 to 謝銘鑫. On 1 June 2010, he has resigned as executive director of CPP, a company listed on the Main Board of the Stock Exchange.

Mr. Meth Jiaravanont was an executive director and an Executive Vice Chairman of CPP, a company listed on the Main Board of the Stock Exchange; his title of Executive Vice Chairman was changed to Vice Chairman with effect from 28 February 2010; subsequently Mr. Jiaravanont has resigned as Vice Chairman of CPP with effect from 1 June 2010, and was re-designated as a non-executive director of CPP with effect from 9 August 2010.

Messrs. Michael Ross and Yang Xiaoping ceased to be Executive Vice Chairman and Vice Chairman of the Company respectively with effect from 1 September 2010.

Mr. Cheng Yuk Wo was an independent non-executive director of 21 Holdings Limited, a company listed on the Main Board of the Stock Exchange and he was re-designated as an executive director with effect from 1 May 2010. On 1 July 2010, Mr. Cheng was appointed as an independent non-executive director of Imagi International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

CONNECTED TRANSACTIONS

Connected transaction involving the cancellation of convertible bonds and issue of new convertible preference shares:

On 16 March 2010, the Company entered into the Agreement with CP ALL Public Company Limited ("CPALL") and Lotus Distribution Investment Limited ("LDIL"), a wholly-owned subsidiary of CPALL, pursuant to which CPALL and LDIL agreed to surrender and the Company agreed to accept the convertible bonds with an aggregate principal amount of HK$1,519.9 million for cancellation and issue of 3,897,110,334 new convertible preference shares as consideration.

The abovementioned transaction was completed on 30 June 2010. Details of the transaction are set out in the announcements dated 16 March 2010 and 30 June 2010 and the circular dated 1 April 2010.

CPALL was considered a connected person of the Company for the purposes of the Listing Rules. The issue of the new convertible preference shares constituted a connected transaction of the Company and it was approved by the independent shareholders of the Company at the extraordinary general meeting on 26 April 2010.

CONNECTED TRANSACTIONS (continued)

Connected transaction involving purchase agreement:

On 29 June 2010, Shanghai Lotus Supermarket Chain Store Co., Ltd. (上海易初蓮花連鎖超市有限公司) ("SLS"), a wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Chia Tai Food and Beverage (Beijing) Co., Ltd. – Shanghai Second Branch Company (正大餐飲（北京）有限公司-上海第二分公司) ("CT Food and Beverage") for the supply of food, beverage and other catering items from 1 April 2010 to 31 October 2010. Details of the transaction are set out in the announcement dated 29 June 2010.

As the Chearavanont Shareholders, through, CPG, indirectly wholly-owned CT Food and Beverage, CT Food and Beverage was an associate of and a connected person of the Company for the purposes of the Listing Rules. The transactions contemplated under the Purchase Agreement constituted a connected transaction exempt from independent shareholders' approval but was subject to reporting and announcement requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Purchase and Supply Agreements:

On 30 July 2008, the Company entered into the CP China-CCT Purchase Agreement with CP China Investment Limited ("CP China") under which any subsidiaries of the Company can purchase relevant merchandise from any subsidiaries of CP China. The CP China-CCT Purchase Agreement expired on 31 December 2010.

On 30 July 2008, the Company entered into the CPH Supply Agreement with CPH under which any subsidiaries of the Company can supply relevant merchandise to CPH or any of its subsidiaries. The CPH Supply Agreement expired on 31 December 2010.

Services Agreements:

On 17 May 2007, the Company entered into the Procurement Services Agreement with CPH. Pursuant to the Procurement Services Agreement, the Company can by itself or procure other member(s) of the CP Lotus Group to perform certain purchasing functions for the CPH Group in relation to products sold by the CPH Non-performing Stores. The Procurement Services Agreement expired on 31 December 2009 and it was renewed on 25 March 2010 for a term commencing from 1 January 2010 to 31 December 2012.

On 25 March 2010, SLS entered into Eastern China Consulting Agreement with Chia Tai Commercial Real Estate Management Co., Ltd. (正大商業房地產管理有限公司) ("CTCREM") under which CTCREM provided consultancy services to SLS in relation to 19 stores operated by SLS in Eastern China from 1 January 2010 to 31 December 2010 with a monthly service fee of RMB413,000. SLS has also agreed to reimburse CTCREM for transportation and miscellaneous expenses actually incurred by CTCREM in connection with the provision of the relevant services.

On 25 March 2010, Beijing Lotus Supermarket Chain Store Co., Ltd. (北京易初蓮花連鎖超市有限公司) ("BLS"), wholly-owned subsidiary of the Company, entered into Northern China Consulting Agreement with CTCREM under which CTCREM provided consultancy services to BLS in relation to 4 stores operated by BLS in Northern China from 1 January 2010 to 31 December 2010 with a monthly service fee of RMB39,000.

On 25 March 2010, Guangzhou Lotus Supermarket Chain Store Co., Ltd. (廣州易初蓮花連鎖超市有限公司) ("GLS"), wholly-owned subsidiary of the Company, entered into Southern China Consulting Agreement with CTCREM under which CTCREM provided consultancy services to GLS in relation to 14 stores operated by GLS in Southern China from 1 January 2010 to 31 December 2010 with a monthly service fee of RMB80,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

Leases:

Super Brand Mall Lease refers to the lease dated 1 July 2008 between SLS and Shanghai Kinghill Ltd. (上海帝泰發展有限公司) ("Shanghai Kinghill") from 1 July 2008 to 31 December 2010 in relation to a portion of the Super Brand Mall situated at No. 168 Lujiazui Xi Road, Pudong New District, Shanghai, the PRC, with a total floor area of approximately 13,500 square meters for the monthly rental of RMB1,500,000 or RMB18,000,000 on an annualised basis.

Yang Gao Zhong Lu Sub-Lease refers to the sub-lease dated 1 May 2007 between SLS and CTCREM from 1 May 2007 to 30 April 2010 in relation to the property located at No. 2128 Yang Gao Zhong Lu, Pudong New District, Shanghai, the PRC, with a total floor area of approximately 6,447 square meters and an office area of 80 square meters, for the monthly rental of RMB362,500 for the first and second year, and RMB503,500 for the third year, equivalent to an annual rental of RMB4,350,000 and RMB6,042,000 respectively, plus a commission of 5% on the excess of subletting rental income received by CTCREM over the rental under the Yang Gao Zhong Lu Sub-Lease and a commission of 15% on the advertising and promotion income received by CTCREM derived from the property. There was a rent free period from 1 May 2007 to 31 August 2007.

With respect to the expired Yang Gao Zhong Lu Sub-Lease, on 29 June 2010, SLS entered into the Yang Gao Zhong Lu Renewed Sub-Lease with CTCREM for the sub-lease of the abovementioned property from 1 May 2010 to 31 December 2010, for the monthly rental of RMB503,500, equivalent to a total sum of RMB4,028,000, plus a commission of 5% on the excess of subletting rental income received by CTCREM over the rental under the Yang Gao Zhong Lu Renewed Sub-Lease and a commission of 15% on the advertising and promotion income received by CTCREM derived from the abovementioned property.

Tian Shan Xi Lu Sub-Lease refers to the sub-lease dated 1 July 2008 between SLS and 上海正大生活百貨有限公司 ("Shanghai ZDSH"), a wholly-owned subsidiary of CTCREM, from 1 July 2008 to 31 December 2010 in relation to the property located at Level 1, No. 541 Tian Shan Xi Lu, Chang Ning District, Shanghai, the PRC, with a total floor area of approximately 9,000 square meters. At present, approximately 8,600 square meters of the property is and continues to be used by Shanghai ZDSH and approximately 400 square meters of the property have been sub-leased by SLS to an independent third party. SLS agreed to sub-lease the whole property to Shanghai ZDSH in the event that the sub-lease with the aforesaid independent third party is terminated. Shanghai ZDSH shall pay a monthly rental of RMB860,000 for the floor area of approximately 8,600 square meters and RMB900,000 for the floor area of approximately 9,000 square meters, equivalent to an annual rental of RMB10,320,000 and RMB10,800,000 respectively, plus a commission of 5% on the excess of subletting rental income received by Shanghai ZDSH over its rental under the Tian Shan Xi Lu Sub-Lease and a commission of 15% on the advertising and promotion income received by Shanghai ZDSH derived from the respective floor area of the property.

Details of the abovementioned continuing connected transactions are set out in the announcements dated 17 May 2007, 30 July 2008, 25 March 2010 and 29 June 2010 and circulars dated 29 June 2007 and 15 August 2008.

CONTINUING CONNECTED TRANSACTIONS (continued)

CP China and CPH are connected persons of the Company according to Chapter 14A of the Listing Rules. Shanghai Kinghill and CTCREM are associates of the controlling shareholder of the Company and therefore are also connected persons of the Company according to Chapter 14A of the Listing Rules. The transactions contemplated under the renewed Procurement Services Agreement, the Eastern China Consulting Agreement, the Northern China Consulting Agreement, the Southern China Consulting Agreement, the Yang Gao Zhong Lu Sub-Lease, the Yang Gao Zhong Lu Renewed Sub-Lease and the Tian Shan Xi Lu Sub-Lease constituted continuing connected transactions exempt from independent shareholders' approval but were subject to reporting and announcement requirements under the Listing Rules. The transactions contemplated under the CP China-CCT Purchase Agreement, the CPH Supply Agreement and the Super Brand Mall Lease constituted non-exempt continuing connected transactions for the Company within the meaning of the Listing Rules and they were approved by the independent shareholders of the Company on 2 September 2008.

The actual transactions and approved annual caps for the abovementioned connected transaction and continuing connected transaction agreements during the year from 1 January 2010 to 31 December 2010 are as follows:

	Actual Transactions RMB'000	**Approved Annual Caps** RMB'000
Exempt connected transaction agreement:		
Purchase Agreement	5,644	10,000
Non-exempt continuing connected transaction agreements:		
CP China-CCT Purchase Agreement	208,755	478,753
CPH Supply Agreement	542,097	585,600
Super Brand Mall Lease	18,000	18,000
Exempt continuing connected transaction agreements:		
Procurement Services Agreement	1,761	4,300
Eastern China Consulting Agreement	4,956	4,956
Northern China Consulting Agreement	468	468
Southern China Consulting Agreement	960	960
Yang Gao Zhong Lu Sub-Lease	2,132	2,200
Yang Gao Zhong Lu Renewed Sub-Lease	4,320	4,500
Tian Shan Xi Lu Sub-Lease	11,078	11,500

The Board engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their findings on these procedures to the Board.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms no less favourable to the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sub-section headed "Directors' interests in share options granted by the Company" under section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 year.

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 financial statements for the year ended 31 December 2010.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

Messrs. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. KPMG as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Soopakij Chearavanont
Director

Hong Kong, 25 March 2011

Independent auditor's report to the shareholders of
C.P. Lotus Corporation
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of C.P. Lotus Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 37 to 100 which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 (Restated*) RMB'000
Turnover	3	**9,374,500**	8,783,361
Cost of sales	17	**(7,641,160)**	(7,136,968)
Gross profit		**1,733,340**	1,646,393
Other revenue	4	**334,677**	334,494
Other net income/(loss)	4	**39,417**	(13,371)
Distribution and store operating costs		**(1,565,941)**	(1,441,451)
Administrative expenses		**(345,006)**	(398,955)
Profit from operations		**196,487**	127,110
Gain on redemption of convertible bonds	24	**408,487**	–
Finance costs	5(a)		
– Interest on convertible bonds		**(91,459)**	(167,595)
– Other finance costs		**(172,859)**	(174,086)
		(264,318)	(341,681)
Profit/(loss) before taxation	5	**340,656**	(214,571)
Income tax	6	**8,666**	(21,161)
Profit/(loss) for the year		**349,322**	(235,732)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")		**43,519**	2,616
Cash flow hedge: net movement in fair value reserve		**(6,734)**	–
		36,785	2,616
Total comprehensive income/(loss) for the year		**386,107**	(233,116)
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company	9	**349,322**	(235,732)
Non-controlling interests		**–**	–
		349,322	(235,732)
Total comprehensive income/(loss) for the year attributable to:			
Equity shareholders of the Company		**386,107**	(233,116)
Non-controlling interests		**–**	–
		386,107	(233,116)
Earnings/(loss) per share	11		
Basic (RMB cents)		**2.76**	(2.20)
Diluted (RMB cents)		**0.20**	(2.20)

* See note 2(a)

The notes on pages 42 to 100 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi Yuan)

	Note	31 December 2010 RMB'000	31 December 2009 (Restated*) RMB'000	1 January 2009 (Restated*) RMB'000
Non-current assets				
Fixed assets	12			
– Property, plant and equipment		**1,523,361**	1,608,357	1,764,214
– Interests in leasehold land held for own use under operating leases		**166,827**	168,571	175,566
		1,690,188	1,776,928	1,939,780
Intangible assets	13	**211,795**	222,505	229,926
Goodwill	14	**2,719,785**	2,719,785	2,719,785
Prepaid lease payments for premises	16	**8,089**	8,246	6,024
Other long-term prepayments		**5,549**	8,200	–
Deferred tax assets	28(b)	**106,596**	82,985	93,160
		4,742,002	4,818,649	4,988,675
Current assets				
Prepaid lease payments for premises	16	**4,584**	12,983	4,664
Inventories	17	**826,699**	740,274	794,576
Trade and other receivables	18	**692,159**	770,413	873,809
Income tax recoverable	28(a)	**–**	212	8,181
Pledged and restricted bank deposits	19	**96,061**	350,737	505,910
Cash and cash equivalents	20	**288,422**	315,860	261,602
		1,907,925	2,190,479	2,448,742
Asset classified as held for sale		**–**	–	11,000
		1,907,925	2,190,479	2,459,742
Current liabilities				
Trade and other payables	21	**3,317,498**	3,015,053	3,031,722
Bank loans	22	**145,693**	1,327,515	1,793,529
Other loans	23	**242,287**	757,824	773,229
Consideration payable for acquisition of subsidiaries	25	**–**	53,227	53,312
Obligations under finance leases	26	**5,150**	4,302	3,899
Current taxation	28(a)	**16,705**	12,430	3,203
Provisions	27	**551**	44,324	62,881
		3,727,884	5,214,675	5,721,775
Net current liabilities		**(1,819,959)**	(3,024,196)	(3,262,033)
Total assets less current liabilities		**2,922,043**	1,794,453	1,726,642
Non-current liabilities				
Bank loans	22	**1,410,024**	326,231	–
Convertible bonds	24	**–**	1,090,718	1,036,183
Consideration payable for acquisition of subsidiaries	25	**–**	–	53,312
Obligations under finance leases	26	**193,159**	198,309	202,610
Deferred tax liabilities	28(b)	**41,662**	44,334	47,076
		1,644,845	1,659,592	1,339,181
NET ASSETS		**1,277,198**	134,861	387,461
CAPITAL AND RESERVES				
Share capital	29(a)	**280,585**	212,590	212,590
Reserves		**994,613**	(77,729)	174,871
Total equity attributable to equity shareholders of the Company		**1,275,198**	134,861	387,461
Non-controlling interests		**2,000**	–	–
TOTAL EQUITY		**1,277,198**	134,861	387,461

Approved and authorised for issue by the board of directors on 25 March 2011.

Soopakij Chearavanont
Director

Umroong Sanphasitvong
Director

* See note 2(a)

The notes on pages 42 to 100 form part of these financial statements.

Statement of Financial Position

(Expressed in Renminbi Yuan)

	Note	**31 December 2010 RMB'000**	31 December 2009 (Restated*) RMB'000	1 January 2009 (Restated*) RMB'000
Non-current assets				
Property, plant and equipment	12	**732**	702	1,243
Interests in subsidiaries	15	**3,042,652**	2,751,763	2,711,002
Other long-term prepayments		**5,549**	8,200	–
		3,048,933	2,760,665	2,712,245
Current assets				
Trade and other receivables	18	**79,565**	41,785	57,570
Pledged bank deposits	19	**–**	–	136,784
Cash and cash equivalents	20	**72,224**	3,032	2,514
		151,789	44,817	196,868
Current liabilities				
Trade and other payables	21	**247,410**	192,838	192,954
Bank loans	22	**86,622**	50,823	377,652
Other loans	23	**93,672**	295,544	300,698
		427,704	539,205	871,304
Net current liabilities		**(275,915)**	(494,388)	(674,436)
Total assets less current liabilities		**2,773,018**	2,266,277	2,037,809
Non-current liabilities				
Bank loans	22	**808,476**	326,231	–
Convertible bonds	24	**–**	1,090,718	1,036,183
		808,476	1,416,949	1,036,183
NET ASSETS		**1,964,542**	849,328	1,001,626
CAPITAL AND RESERVES				
Share capital	29(a)	**280,585**	212,590	212,590
Reserves	30(a)	**1,683,957**	636,738	789,036
TOTAL EQUITY		**1,964,542**	849,328	1,001,626

Approved and authorised for issue by the board of directors on 25 March 2011.

Soopakij Chearavanont
Director

Umroong Sanphasitvong
Director

* See note 2(a)

The notes on pages 42 to 100 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company											
	Share capital (note 29) RMB'000	Share premium (note 30(c)) RMB'000	Revaluation reserve (note 30(c)) RMB'000	Share option reserve (note 30(c)) RMB'000	Re-organisation reserve (note 30(c)) RMB'000	Exchange reserve (note 30(c)) RMB'000	Hedging reserve (note 30(c)) RMB'000	Convertible bonds reserve (note 30(c)) RMB'000	Retained earnings/ (Accumulated loss) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	212,590	1,321,876	(9,166)	53,841	113,573	150,376	–	289,779	(1,745,408)	387,461	–	387,461
Loss for the year	–	–	–	–	–	–	–	–	(235,732)	(235,732)	–	(235,732)
Other comprehensive income	–	–	–	–	–	2,616	–	–	–	2,616	–	2,616
Total comprehensive income/(loss) for the year	–	–	–	–	–	2,616	–	–	(235,732)	(233,116)	–	(233,116)
Redemption of convertible bonds	–	–	–	–	–	–	–	(25,240)	5,756	(19,484)	–	(19,484)
At 31 December 2009	212,590	1,321,876	(9,166)	53,841	113,573	152,992	–	264,539	(1,975,384)	134,861	–	134,861
At 1 January 2010	212,590	1,321,876	(9,166)	53,841	113,573	152,992	–	264,539	(1,975,384)	134,861	–	134,861
Profit for the year	–	–	–	–	–	–	–	–	349,322	349,322	–	349,322
Other comprehensive income	–	–	–	–	–	43,519	(6,734)	–	–	36,785	–	36,785
Total comprehensive income for the year	–	–	–	–	–	43,519	(6,734)	–	349,322	386,107	–	386,107
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	2,000	2,000
Issue of new convertible preference shares to redeem convertible bonds (notes 24 & 29)	67,995	686,235	–	–	–	–	–	(264,539)	264,539	754,230	–	754,230
Transfers (note 30(c))	–	(1,266,681)	–	–	(113,573)	–	–	–	1,380,254	–	–	–
	67,995	(580,446)	–	–	(113,573)	–	–	(264,539)	1,644,793	754,230	2,000	756,230
At 31 December 2010	280,585	741,430	(9,166)	53,841	–	196,511	(6,734)	–	18,731	1,275,198	2,000	1,277,198

The notes on pages 42 to 100 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 (Restated*) RMB'000
Operating activities			
Profit/(loss) before taxation		**340,656**	(214,571)
Adjustments for:			
Finance costs	5(a)	**264,318**	341,681
Interest income	4	**(7,462)**	(7,184)
Gain on redemption of convertible bonds	24	**(408,487)**	–
Loss on disposal of fixed assets	4	**6,921**	14,185
Depreciation of property, plant and equipment	5(c)	**200,842**	214,817
Impairment loss on property, plant and equipment	12(a)	**663**	–
Amortisation of land lease premium	5(c)	**7,017**	6,995
Amortisation of intangible assets	5(c)	**10,710**	7,421
Foreign exchange (gain)/loss		**(14,252)**	153
Operating profit before changes in working capital		**400,926**	363,497
Decrease/(increase) in prepaid lease payments for premises		**8,556**	(10,541)
(Increase)/decrease in inventories		**(86,425)**	54,302
Increase in bank deposits pledged for inventory purchases		**(20,048)**	(43,886)
Decrease in trade and other receivables		**78,254**	103,396
Increase/(decrease) in trade and other payables		**255,319**	(22,371)
Cash generated from operations		**636,582**	444,397
PRC tax (paid)/refunded		**(13,130)**	3,468
Net cash generated from operating activities		**623,452**	447,865
Investing activities			
Net cash inflow from disposal of assets held for sale		**–**	1,100
Payment for purchases of fixed assets		**(135,356)**	(89,135)
Payment of consideration for acquisition of subsidiaries		**(53,227)**	(53,397)
Interest received		**7,462**	7,184
Proceeds from disposal of fixed assets		**6,628**	4,416
Net cash used in investing activities		**(174,493)**	(129,832)
Financing activities			
Proceeds from bank loans		**1,888,816**	253,747
Repayment of bank loans		**(1,943,374)**	(392,547)
Proceeds from other loans		**661,588**	630,147
Repayment of other loans		**(1,169,224)**	(645,203)
Capital contribution from non-controlling interests		**2,000**	–
Payment for redemption of convertible bonds		**–**	(117,482)
Decrease in deposits pledged for bank loans		**274,724**	199,059
Capital element of finance leases paid		**(4,302)**	(3,899)
Interest element of finance leases paid		**(19,816)**	(20,221)
Interest on bank loans		**(91,073)**	(94,875)
Loan arrangement and guarantee fees paid		**(29,700)**	(18,974)
Coupon interest on convertible bonds		**(8,775)**	(13,508)
Interest on other loans/consideration payable		**(32,270)**	(40,018)
Net cash used in financing activities		**(471,406)**	(263,774)
Net (decrease)/increase in cash and cash equivalents		**(22,447)**	54,259
Effect of foreign exchange rate changes		**(4,991)**	(1)
Cash and cash equivalents at 1 January		**315,860**	261,602
Cash and cash equivalents at 31 December	20	**288,422**	315,860

* See note 2(a)

The notes on pages 42 to 100 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Pursuant to a resolution of the shareholders passed on 17 June 2010, the change of Company name from Chia Tai Enterprises International Limited to C.P. Lotus Corporation was approved.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

(i) Presentation currency

The consolidated financial statements previously issued in respect of the year ended 31 December 2009 were presented in Hong Kong Dollars ("HK$"), the functional currency of the Company. As the Group's hypermarket stores are all located in the PRC and most of the Group's transactions are conducted and denominated in Renminbi ("RMB"), the functional currency of the Company's operating subsidiaries, on 23 August 2010, the Directors determined to change the presentation currency of the Group's consolidated financial statements from HK$ to RMB. Accordingly, these financial statements are stated in RMB, rounded to the nearest thousand, unless otherwise stated. Comparative figures have been restated accordingly (see note 2(a)).

(ii) Going concern

As at 31 December 2010, the Group had net current liabilities of approximately RMB1,820 million. In view of this, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

For the year ended 31 December 2010, the Group generated profit from operations of approximately RMB196 million (2009: RMB127 million) and net cash from operating activities of approximately RMB623 million (2009: RMB448 million).

As disclosed in note 24, on 30 June 2010, the Company purchased and cancelled all convertible bonds in issue with the consideration satisfied by the issuance by the Company to the convertible bondholders, which are entities related to the Group's ultimate holding company, of 3,897,110,334 new convertible preference shares of par value HK$0.02 each.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

(ii) Going concern (continued)

As at 31 December 2010, all the outstanding bank loans were drawn down under facility agreements (the "Facility Agreements") entered into by the Company and two of its subsidiaries, Shanghai Lotus Supermarket Chain Store Co., Ltd. (上海易初蓮花連鎖超市有限公司) ("SLS") and Guangzhou Lotus Supermarket Chain Store Co., Ltd. (廣州易初蓮花連鎖超市有限公司) ("GLS") with certain banks on 28 December 2009, whereby the Company was granted a term loan facility of United States Dollars ("USD") 145 million (equivalent to RMB996 million) and SLS and GLS were granted term loan facilities totaling USD105 million (equivalent to RMB721 million). The facilities will expire on 31 December 2015 with instalment repayments scheduled during their term. The Facility Agreements contain certain covenants and conditions with which the Company, SLS and GLS need to comply. The Group's ultimate holding company has issued a letter of undertaking to the respective lending banks in which it confirmed, inter alia, that as long as any amount is outstanding under the Facility Agreements, it will continue to be the ultimate shareholder in the above entities, will cause the entities to be operated and maintained in such a way as to be in a financial position to meet all their obligations under the Facility Agreements, and if they are unable to do so will make, or have made, funds available to the entities sufficient to meet their obligations.

In view of the above, the Directors consider that the Group will have sufficient financial resources for its working capital and capital expenditure requirements and that it will be able to meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial guarantees issued are stated at their fair value as explained in the accounting policy set out in note 1(v)(i).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(z)).

(d) Use of estimation and judgement

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 41.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Subsidiaries and non-controlling interests (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests"), represent the equity in a subsidiary not attributable directly or indirectly to the Company and in respect of which the Group has not agreed any additional terms within the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and the total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(z)).

(f) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the consideration transferred over the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

Any excess of the net fair value of the acquiree's identifiable assets and liabilities over the fair value of the consideration transferred is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, that is expected to benefit from the synergies of the acquisition and is tested annually for impairment (see note 1(l)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(l)); and

– other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 30 years after the date of completion.

– Leasehold improvements	Over the remaining term of the lease
– Furniture, fixtures and equipment	3 – 5 years
– Motor vehicles	3 – 6 years

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market value. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of leasehold improvements, furniture, fixtures and equipment, and motor vehicles is based on the quoted market price for similar items.

Stores under fit out represent the cost of leasehold improvements incurred to date. Stores under fit out are transferred to leasehold improvements when the stores are substantially ready for their intended use. No depreciation is provided in respect of stores under fit out.

(j) Intangible assets (other than goodwill)

Intangible assets represent the favourable aspect of operating leases relative to market terms acquired in business combinations, where the acquiree is the lessee. These intangible assets are recognised and measured at fair value upon acquisition. The fair value is determined based on a comparison of the market and contractual rental rates at the date of acquisition.

Intangible assets associated with favourable aspects of operating leases acquired in a business combination are stated in the statement of financial position at cost less accumulated amortisation and impairment losses (see note 1(l)). Amortisation is charged to profit or loss on a straight-line basis over the remaining lease term.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal repayments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– interests in leasehold land held for own use under operating leases;

– intangible assets;

– prepaid lease payments for premises;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and 1(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

For inventories delivered to the Group's distribution centres, cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. For inventories located in the Group's hypermarket stores, cost is determined by the retail method and is computed by reference to the retail selling price of goods less the average gross profit margins.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(l)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Convertible bonds that contain an equity component (continued)

On initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of the fair value of the compound financial instrument as a whole over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of the compound financial instrument as a whole.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the bonds are converted or redeemed.

If the bonds are converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds reserve is released directly to retained earnings/accumulated losses.

(q) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distribution within equity.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings/accumulated losses).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial guarantees issued, provisions and contingent liabilities (continued)

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Promotion and service income/fees

Promotion and service income/fees not related to the purchase of goods are recognised when the services are rendered.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition (continued)

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Subsidy income

Subsidy income is recognised in profit or loss upon receipt of the subsidy.

(x) Translation of foreign currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Except as noted below, exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of entities outside the PRC are translated into Renminbi yuan ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The assets and liabilities of entities outside the PRC are translated into RMB at the closing foreign exchange rates at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

Exchange differences arising from monetary items that in substance form part of the net investment in foreign operations are recognised in other comprehensive income in the consolidated financial statements.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(aa) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various operations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

(a) Change in presentation currency

As set out in note 1(b), during the year, the Group changed its presentation currency from HK$ to RMB. This change in accounting policy has been applied retrospectively. As a result, the comparative figures in these financial statements have been translated from HK$ to RMB using the closing rate at the relevant year end date for statement of financial position items, average rates for the relevant period for statement of comprehensive income and statement of cash flows items, and historical rates for the items in the statement of changes in equity. In accordance with HKAS 1 (Revised 2007), consolidated and Company statements of financial position as at 1 January 2009 have been presented in these financial statements.

The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2009 and 2010, or the results and cash flows for the years ended 31 December 2009 and 2010.

(b) Application of new and revised HKFRSs

The HKICPA has issued the following revised HKFRSs, amendments to HKFRSs, and new Interpretations that are first effective for the current accounting period of the Group and the Company and which are relevant to the Group's financial statements.

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations-plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement-eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- HK (Int) 5, *Presentation of Financial Statements-Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 42).

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) Application of new and revised HKFRSs (continued)

The amendments to HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the amendments and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policies but none of these changes have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of an acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- As a result of the amendment to HKAS 17, *Leases*, arising from the *"Improvements to HKFRSs (2009)"* omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

3 TURNOVER

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 revenues.

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Consolidated	
	2010	2009 (Restated)
	RMB'000	RMB'000
Other revenue		
Leasing of store premises	**241,412**	216,816
Other promotion and service income	**78,284**	66,148
Interest income	**7,462**	7,184
Subsidy income	**5,758**	10,078
Procurement service fee (note 38(a))	**1,761**	3,114
Management service fee (note 38(a))	**–**	31,154
	334,677	334,494
Other net income/(loss)		
Net foreign exchange gain	**11,223**	814
Net income from store lease cancellations (note)	**35,115**	–
Net loss on disposal of fixed assets	**(6,921)**	(14,185)
	39,417	(13,371)

Note: During the year, the Group successfully appealed a court verdict previously issued which required the Group to pay compensation to the landlord for cancelling a store lease. RMB33 million previously paid as compensation was refunded to the Group as a result.

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	Consolidated	
	2010	2009 (Restated)
	RMB'000	RMB'000 (note 39)
(a) Finance costs:		
Interest on borrowings wholly repayable within five years:		
– Bank loans	**91,073**	94,875
– Other loans	**31,485**	36,477
Loan arrangement and guarantee fees	**29,700**	18,974
Interest on deferred consideration payable (note 25)	**785**	3,541
Finance charges on obligations under finance leases (note 26)	**19,816**	20,219
Interest on convertible bonds (note 24) (note)	**91,459**	167,595
	264,318	341,681

Note: Interest on convertible bonds for the year ended 31 December 2010 consists of RMB6,589,000 (2009: RMB13,508,000) representing coupon interest at 1% per annum on the principal amount of the convertible bonds and RMB84,870,000 (2009: RMB154,087,000) representing additional interest expense arising from the remeasurement of the liability component of the convertible bonds upon their issuance using the effective interest rate method as set out in note 24. The convertible bonds were repurchased and cancelled by the Company on 30 June 2010.

5 PROFIT/(LOSS) BEFORE TAXATION (continued)

		Consolidated	
		2010	2009 (Restated)
		RMB'000	RMB'000
(b)	Staff costs:		
	Salaries, wages and other benefits	**583,739**	624,930
	Contributions to defined contribution retirement plans	**44,225**	47,429
		627,964	672,359
(c)	Other items:		
	Depreciation of property, plant and equipment	**200,842**	214,817
	Amortisation		
	– land lease premium	**7,017**	6,995
	– intangible assets	**10,710**	7,421
	Auditors' remuneration-audit service	**3,500**	3,500
	Operating lease charges		
	– property rentals	**383,929**	363,142
	Donations	**4,518**	–
	Cost of inventories (note 17)	**7,641,160**	7,136,968

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2010	2009 (Restated)
	RMB'000	RMB'000
Current tax – PRC		
Provision for the year	**17,617**	13,728
Deferred tax		
Origination and reversal of temporary differences (note 28(b))	**(26,283)**	7,433
Taxation (credit)/expense	**(8,666)**	21,161

Income tax is calculated at the rates prevailing in the relevant jurisdictions.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

(a) Taxation in the consolidated statement of comprehensive income represents: (continued)

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries did not generate any assessable profits in Hong Kong during the year.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the Corporate Income Tax Law ("CIT law") of the PRC which took effect on 1 January 2008, subsidiaries of the Group established in the PRC are subject to PRC income tax at 25% (2009: 25%) on their assessable profits as determined in accordance with the CIT law.

Further, under the CIT law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign invested enterprise's profit earned after 1 January 2008. As at 31 December 2010, the PRC subsidiaries of the Group had aggregated accumulated losses and therefore no deferred tax liabilities were recognised in this regard.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 **RMB'000**	2009 (Restated) RMB'000
Profit/(loss) before taxation	**340,656**	(214,571)
Notional tax on profit/(loss) before taxation, calculated at 25% (2009: 25%) (note)	**85,164**	(53,643)
Tax effect of non-deductible expenses	**43,419**	58,392
Tax effect of non-taxable income	**(560)**	(5,073)
Tax effect of non-taxable gain on redemption of convertible bonds	**(102,122)**	–
Tax effect of tax losses not recognised	**48,135**	34,375
Tax effect of prior year's unrecognised tax losses utilised	**(69,004)**	(8,229)
Tax effect of temporary differences not recognised	**(13,698)**	(4,661)
Actual tax (credit)/expense	**(8,666)**	21,161

Note: The PRC Corporate Income Tax rate of 25% (2009: 25%) is used as the operations of the Group are substantially based in the PRC.

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(Expressed in Renminbi Yuan unless otherwise indicated)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2010:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Subtotal RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors							
Mr. Dhanin Chearavanont	–	–	–	–	–	–	–
Mr. Soopakij Chearavanont	–	4,079	–	10	4,089	–	4,089
Mr. Narong Chearavanont	–	3,760	–	–	3,760	–	3,760
Mr. Li Wen Hai	–	2,403	–	–	2,403	–	2,403
Mr. Meth Jiaravanont	–	815	–	–	815	–	815
Mr. Michael Ross	–	3,003	–	–	3,003	–	3,003
Mr. Yang Xiaoping	–	2,139	–	10	2,149	–	2,149
Mr. Umroong Sanphasitvong	–	–	–	–	–	–	–
Mr. Robert Ping-Hsien Ho	–	–	–	–	–	–	–
Mr. Suphachai Chearavanont	–	–	–	–	–	–	–
Mr. Piyawat Titasattavorakul	–	–	–	–	–	–	–
Mr. Shih Hong-Mo	–	–	–	–	–	–	–
Mr. Tse Ping	–	–	–	–	–	–	–
Mr. Zheng Mengyin	–	1,202	–	–	1,202	–	1,202
Mr. Nopadol Chiaravanont	–	–	–	–	–	–	–
Mr. Chatchaval Jiaravanon	–	–	–	–	–	–	–
Mr. Kachorn Chiaravanont	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Viroj Sangsnit	209	–	–	–	209	–	209
Mr. Chokchai Kotikula	209	–	–	–	209	–	209
Mr. Cheng Yuk Wo	209	–	–	–	209	–	209
Total	627	17,401	–	20	18,048	–	18,048

7 DIRECTORS' REMUNERATION (continued)

For the year ended 31 December 2009:

	Directors' fees RMB'000 (Restated)	Salaries, allowances and benefits in kind RMB'000 (Restated)	Discretionary bonus RMB'000 (Restated)	Retirement benefit scheme contributions RMB'000 (Restated)	Subtotal RMB'000 (Restated)	Share–based payment RMB'000 (Restated)	Total RMB'000 (Restated)
Executive directors							
Mr. Dhanin Chearavanont	–	–	–	–	–	–	–
Mr. James Harold Haworth	–	8,133	–	–	8,133	–	8,133
Mr. Soopakij Chearavanont	–	3,820	–	11	3,831	–	3,831
Mr. Michael Ross	–	2,769	–	–	2,769	–	2,769
Mr. Narong Chearavanont	–	3,983	–	–	3,983	–	3,983
Mr. Tse Ping	–	–	–	–	–	–	–
Mr. Yang Xiaoping	–	2,079	–	11	2,090	–	2,090
Mr. Li Wen Hai	–	1,509	–	–	1,509	–	1,509
Mr. Zheng Mengyin	–	1,769	–	–	1,769	–	1,769
Mr. Umroong Sanphasitvong	–	–	–	–	–	–	–
Mr. Robert Ping-Hsien Ho	–	–	–	–	–	–	–
Mr. Meth Jiaravanont	–	825	–	–	825	–	825
Mr. Nopadol Chiaravanont	–	–	–	–	–	–	–
Mr. Chatchaval Jiaravanon	–	–	–	–	–	–	–
Mr. Suphachai Chearavanont	–	–	–	–	–	–	–
Mr. Kachorn Chiaravanont	–	–	–	–	–	–	–
Non-executive director							
Mr. Leung Chun Keung	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Viroj Sangsnit	211	–	–	–	211	–	211
Mr. Chokchai Kotikula	211	–	–	–	211	–	211
Mr. Cheng Yuk Wo	211	–	–	–	211	–	211
Total	633	24,887	–	22	25,542	–	25,542

Note: Messrs. Piyawat Titasattavorakul and Shih Hong-Mo were appointed as executive directors of the Company on 1 September 2010. Messrs. Tse Ping, Zheng Mengyin, Nopadol Chiaravanont, Chatchaval Jiaravanon and Kachorn Chiaravanont resigned as executive directors of the Company on 1 September 2010.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2009: four) are directors whose emoluments are disclosed in note 7. The details of the emoluments in respect of the remaining one individual for the year ended 31 December 2009 are as follows:

	2009 (Restated) RMB'000
Salaries and allowances	4,253
Discretionary bonuses	–
Share-based payments	–
Retirement benefit scheme contributions	6
	4,259

The emoluments of the above individual with highest emoluments is within the following bands:

	2010 Number of individuals	2009 Number of individuals
HK$4,500,001 to HK$5,000,000	**–**	1

During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no director waived any emoluments for the years ended 31 December 2010 and 2009.

9 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB424,322,000 (2009: loss of RMB131,332,000) which has been dealt with in the financial statements of the Company (note 30(a)).

10 DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2010 and 2009, nor has any dividend been proposed since the reporting date.

11 EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of the basic earnings/(loss) per share attributable to the equity shareholders of the Company is based on the following data:

	2010 RMB'000	2009 (Restated) RMB'000
Profit/(loss) for the year attributable to equity shareholders of the Company	**349,322**	(235,732)
Number of ordinary shares in issue	**9,184,414,410**	9,184,414,410
Number of convertible preference shares in issue	**1,518,807,075**	1,518,807,075
Weighted average number of new convertible preference shares in issue	**1,948,555,167**	–
Total	**12,651,776,652**	10,703,221,485

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

	2010	2009
Issued new convertible preference shares at 1 January	**–**	–
New convertible preference shares issued on 30 June 2010	**3,897,110,334**	–
Weighted average number of new convertible preference shares	**1,948,555,167**	–

As set out in note 29(a), the holders of the convertible preference shares and new convertible preference shares are entitled to receive the same dividends as the holders of ordinary shares.

11 EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted

The calculation of the diluted earnings/(loss) per share attributable to the equity shareholders of the Company is based on the following data:

	2010	2009 (Restated)
	RMB'000	RMB'000
Profit/(loss) for the year attributable to equity shareholders of the Company	**349,322**	(235,732)
Interest on convertible bonds (note 5(a))	**91,459**	–
Gain on redemption of convertible bonds (note 24)	**(408,487)**	–
Profit/(loss) for the year attributable to equity shareholders of the Company (diluted)	**32,294**	(235,732)

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

	2010	2009
Weighted average number of shares at 31 December	**12,651,776,652**	10,703,221,485
Effect of convertible bonds	**1,948,555,167**	–
Effect of share options (note 31)	**1,798,984,320**	–
Weighted average number of shares (diluted) at 31 December	**16,399,316,139**	10,703,221,485

The diluted loss per share for the year ended 31 December 2009 was the same as the basic loss per share as all potential ordinary shares were anti-dilutive.

12 FIXED ASSETS

(a) The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Stores under fit out RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2009	236,167	1,348,357	470,586	33,028	11,912	2,100,050	195,769	2,295,819
Exchange adjustments	–	–	(5)	(9)	–	(14)	–	(14)
Additions	–	7,320	13,879	899	55,465	77,563	–	77,563
Transfer	–	32,524	17,618	789	(50,931)	–	–	–
Disposals	–	(44,204)	(15,509)	(2,263)	(4,003)	(65,979)	–	(65,979)
At 31 December 2009	236,167	1,343,997	486,569	32,444	12,443	2,111,620	195,769	2,307,389
At 1 January 2010	236,167	1,343,997	486,569	32,444	12,443	2,111,620	195,769	2,307,389
Exchange adjustments	–	(5)	(108)	(189)	–	(302)	–	(302)
Additions	–	7,543	10,378	2,027	110,135	130,083	5,273	135,356
Transfer	–	47,401	40,419	124	(87,944)	–	–	–
Disposals	(1,686)	(4,277)	(57,072)	(3,554)	(3,769)	(70,358)	–	(70,358)
At 31 December 2010	234,481	1,394,659	480,186	30,852	30,865	2,171,043	201,042	2,372,085
Accumulated depreciation and impairment losses:								
At 1 January 2009	32,448	138,736	147,762	13,152	3,738	335,836	20,203	356,039
Exchange adjustments	–	–	(5)	(7)	–	(12)	–	(12)
Charge for the year	11,498	111,027	85,404	6,888	–	214,817	6,995	221,812
Written back on disposal	–	(31,029)	(14,281)	(1,952)	(116)	(47,378)	–	(47,378)
At 31 December 2009	43,946	218,734	218,880	18,081	3,622	503,263	27,198	530,461
At 1 January 2010	43,946	218,734	218,880	18,081	3,622	503,263	27,198	530,461
Exchange adjustments	–	(5)	(107)	(165)	–	(277)	–	(277)
Charge for the year	11,953	116,158	67,657	5,074	–	200,842	7,017	207,859
Impairment loss	–	–	–	–	663	663	–	663
Written back on disposal	(1,276)	(2,630)	(49,606)	(3,230)	(67)	(56,809)	–	(56,809)
At 31 December 2010	54,623	332,257	236,824	19,760	4,218	647,682	34,215	681,897
Net book value:								
At 31 December 2010	179,858	1,062,402	243,362	11,092	26,647	1,523,361	166,827	1,690,188
At 31 December 2009	192,221	1,125,263	267,689	14,363	8,821	1,608,357	168,571	1,776,928
At 1 January 2009	203,719	1,209,621	322,824	19,876	8,174	1,764,214	175,566	1,939,780

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12 FIXED ASSETS (continued)

(b) The Company

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:				
At 1 January 2009	152	3,185	5,700	9,037
Exchange adjustments	–	(5)	(9)	(14)
Additions	–	34	–	34
Disposals	–	–	(423)	(423)
At 31 December 2009	152	3,214	5,268	8,634
At 1 January 2010	152	3,214	5,268	8,634
Exchange adjustments	(5)	(108)	(189)	(302)
Additions	–	21	542	563
Disposals	–	(31)	–	(31)
At 31 December 2010	147	3,096	5,621	8,864
Accumulated depreciation:				
At 1 January 2009	152	3,158	4,484	7,794
Exchange adjustments	–	(5)	(7)	(12)
Charge for the year	–	28	545	573
Written back on disposal	–	–	(423)	(423)
At 31 December 2009	152	3,181	4,599	7,932
At 1 January 2010	152	3,181	4,599	7,932
Exchange adjustments	(5)	(107)	(165)	(277)
Charge for the year	–	21	487	508
Written back on disposal	–	(31)	–	(31)
At 31 December 2010	147	3,064	4,921	8,132
Net book value:				
At 31 December 2010	–	32	700	732
At 31 December 2009	–	33	669	702
At 1 January 2009	–	27	1,216	1,243

12 FIXED ASSETS (continued)

(c) The analysis of net book value of properties is as follows:

	The Group		
	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
In the PRC			
– medium-term leases	**346,685**	360,792	379,285
Representing:			
Buildings	**179,858**	192,221	203,719
Interests in leasehold land held for own use under operating leases	**166,827**	168,571	175,566
	346,685	360,792	379,285

(d) Fixed assets held under finance leases

At 31 December 2010, the net book value of buildings held under finance leases of the Group was RMB156,537,000 (31 December 2009: RMB167,342,000; 1 January 2009: RMB178,146,000). The leases do not include contingent rentals. The buildings are situated in the PRC and held under medium-term land use rights.

13 INTANGIBLE ASSETS

	The Group	
	2010 RMB'000	2009 (Restated) RMB'000
Cost:		
At 1 January and 31 December	**232,000**	232,000
Accumulated amortisation:		
At 1 January	**9,495**	2,074
Charge for the year	**10,710**	7,421
At 31 December	**20,205**	9,495
Net book value:	**211,795**	222,505

Intangible assets relate to operating lease agreements acquired in the acquisition of subsidiaries in 2008. The fair value on acquisition was determined based on a valuation report prepared by an independent third party valuer and a comparison of the market rental rates at the date of acquisition and the estimated present value of payments due under the lease contracts entered into by the acquired subsidiaries. The intangible assets are amortised using the straight-line method over the remaining lease terms which vary from 11 to 31 years.

The amortisation charge for the year is included in "Distribution and store operating costs" in the consolidated statement of comprehensive income.

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14 GOODWILL

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
Cost:		
At 1 January and 31 December	**2,770,789**	2,770,789
Accumulated impairment losses:		
At 1 January and 31 December	**51,004**	51,004
Carrying amount:		
At 31 December	**2,719,785**	2,719,785

Impairment tests for cash-generating units containing goodwill

As at 31 December 2010, 2009 and 1 January 2009, the carrying amount of goodwill is allocated to the Group's cash-generating units as follows:

	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000
East China Region	**2,680,871**	2,680,871	2,680,871
South China Region	**35,516**	35,516	35,516
North China Region	**3,398**	3,398	3,398
	2,719,785	2,719,785	2,719,785

The recoverable amount of the respective cash-generating unit ("CGU")/group of CGUs is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period, which are extrapolated up to the following 10 years and perpetual life by using estimated growth rates of 3% to 6% per annum (31 December 2009: 3% to 6% per annum; 1 January 2009: 4% to 7% per annum). The key assumptions for the value in use calculations are those relating to the discount rate, forecast growth rates, and the expected changes to selling prices and direct costs. The discount rate of 11% (31 December 2009: 12%; 1 January 2009: 12%) reflects the current market assessment of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

15 INTERESTS IN SUBSIDIARIES

	The Company		
	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
Unlisted shares/capital contributions, at cost	**1,819,445**	1,882,567	1,885,555
Add: Amounts due from subsidiaries	**1,477,431**	1,121,500	1,078,151
Less: Impairment losses	**(254,224)**	(252,304)	(252,704)
	3,042,652	2,751,763	2,711,002

Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The following list contains only the particulars of the Group's subsidiaries which principally affected the results, assets or liabilities of the Group. The Group's effective interest in the entities below are all held by subsidiaries of the Company. The entities below are all companies established in the PRC with limited liability.

Name of companies	Paid up capital			Group's effective interest		
	31 December 2010	31 December 2009	1 January 2009	**31 December 2010 %**	31 December 2009 %	1 January 2009 %
北京易初蓮花連鎖超市有限公司 Beijing Lotus Supermarket Chain Store Co., Ltd.	**USD25,000,000 (note 1)**	USD25,000,000	USD25,000,000	**100**	100	100
西安易初蓮花連鎖超市有限公司 Xian Lotus Supermarket Chain Store Co., Ltd.	**RMB2,000,000 (note 2)**	RMB2,000,000	RMB2,000,000	**100**	100	100
鄭州易初蓮花連鎖超市有限公司 Zhengzhou Lotus Supermarket Chain Store Co., Ltd.	**RMB2,000,000 (note 2)**	RMB2,000,000	RMB2,000,000	**100**	100	100
青島易初蓮花連鎖超市有限公司 Qingdao Lotus Supermarket Chain Store Co., Ltd.	**USD6,500,000 (note 1)**	USD6,500,000	USD6,500,000	**100**	100	100
廣州易初蓮花連鎖超市有限公司 Guangzhou Lotus Supermarket Chain Store Co., Ltd.	**USD43,720,000 (note 1)**	USD34,420,000	USD30,000,000	**100**	100	100
汕頭易初蓮花連鎖超市有限公司 Shantou Lotus Supermarket Chain Store Co., Ltd.	**USD12,000,000 (note 3)**	USD12,000,000	USD12,000,000	**100**	100	100
佛山市南海區華南通商貿發展有限公司 Foshan Nanhai Hua Nan Tong Trading Development Co., Ltd.	**RMB3,000,000 (note 2)**	RMB3,000,000	RMB3,000,000	**100**	100	100
廣東華南通商貿發展有限公司 Guangdong Hua Nan Tong Trading Development Co., Ltd.	**RMB29,500,000 (note 2)**	RMB29,500,000	RMB29,500,000	**100**	100	100
上海易初蓮花連鎖超市有限公司 Shanghai Lotus Supermarket Chain Store Co., Ltd.	**USD117,200,000 (note 1)**	USD84,000,000	USD84,000,000	**100**	100	100

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15 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Paid up capital			Group's effective interest		
	31 December 2010	31 December 2009	1 January 2009	**31 December 2010 %**	31 December 2009 %	1 January 2009 %
上海長發購物中心有限公司 Shanghai Changfa Shopping Centre Co., Ltd.	**RMB5,000,000 (note 2)**	RMB5,000,000	RMB5,000,000	**100**	100	100
上海怡蓮超市有限公司 Shanghai Yilian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
上海采蓮超市有限公司 Shanghai Cailian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
上海新蓮超市有限公司 Shanghai Xinlian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
南通通蓮超市有限公司 Nantong Tonglian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
昆山泰蓮超市有限公司 Kunshan Tailian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
上海雅蓮超市有限公司 Shanghai Yalian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
上海佳蓮超市有限公司 Shanghai Jialian Supermarket Co., Ltd.	**RMB500,000 (note 2)**	RMB500,000	RMB500,000	**100**	100	100
佛山市卜蜂蓮花管理咨詢有限公司 Foshan C.P. Lotus Management Consulting Co., Ltd.	**RMB8,949,000 (note 4)**	RMB8,949,000	RMB8,949,000	**100**	100	100
卜蜂蓮花（上海）管理有限公司 C.P. Lotus (Shanghai) Management Co., Ltd.	**USD16,800,000 (note 1, 5)**	–	–	**100**	–	–
上海蓮源物流有限公司 Shanghai Lianyuan Logistics Co., Ltd.	**RMB1,000,000 (note 2, 5)**	–	–	**100**	–	–
上海卜蜂喜多屋食品有限公司 Shanghai CP Xi Duo Wu Foods Co., Ltd.	**RMB10,000,000 (note 3, 5)**	–	–	**80**	–	–

Notes:

(1) All are wholly-foreign-owned enterprises.

(2) The equity interest is held by individual nominees on behalf of the Company. These companies are domestic enterprises in the PRC legally owned by PRC nationals. Due to the various agreements in place, the Directors of the Company, after taking legal advice, consider that the Company has effective control over the operational and financial policies of these enterprises and therefore the financial results and positions of these enterprises have been consolidated into the Group since their respective dates of establishment.

(3) These are sino-foreign joint ventures established in the PRC.

(4) This is a domestic enterprise in the PRC.

(5) C.P. Lotus (Shanghai) Management Co., Ltd. was established in 2010 and is engaged in the provision of management services to subsidiaries within the Group. Shanghai Lianyuan Logistics Co., Ltd. and Shanghai CP Xi Duo Wu Foods Co., Ltd. were established in 2010 and are engaged in the provision of logistic services and sourcing products respectively. All other companies listed above are involved in the operation of hypermarket stores in the PRC.

16 PREPAID LEASE PAYMENTS FOR PREMISES

	The Group		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000
At 1 January	**21,229**	10,688	21,337
Additions	**–**	25,196	–
Charged to profit or loss for the year	**(8,556)**	(14,655)	(10,649)
At 31 December	**12,673**	21,229	10,688
Represented by:			
Non-current portion	**8,089**	8,246	6,024
Current portion	**4,584**	12,983	4,664
	12,673	21,229	10,688

These amounts represent prepaid rentals for hypermarket stores operated by the Group.

17 INVENTORIES

All inventories as at 1 January 2009, 31 December 2009 and 31 December 2010 are finished goods merchandise. The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
Carrying amount of inventories sold	**7,623,571**	7,116,822
Write-down of inventories	**17,589**	20,146
	7,641,160	7,136,968

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18 TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade receivables, other receivables and deposits	**199,385**	184,600	187,001	**2,956**	2,407	885
Amounts due from related companies (note 38(b))	**492,774**	585,813	686,808	**7,861**	8,201	–
Amounts due from subsidiaries	**–**	–	–	**68,748**	31,177	56,685
	692,159	770,413	873,809	**79,565**	41,785	57,570

All of the trade and other receivables apart from rental deposits of the Group amounting to RMB41,993,000 (31 December 2009: RMB40,113,000; 1 January 2009: RMB47,405,000) are expected to be recovered within one year.

Included in the Group's trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000
Current	**20,243**	30,436	24,815
1 to 30 days overdue	**2,702**	1,535	4,301
31 to 60 days overdue	**849**	1,423	1,049
61 to 90 days overdue	**48**	234	556
Over 90 days	**994**	2,068	4,626
	24,836	35,696	35,347

The Group's credit policy is set out in note 33(a).

In 2010, the Group wrote off other receivables due from a third party of RMB5,791,000, which is recorded in "Administrative expenses" for the year.

19 PLEDGED AND RESTRICTED BANK DEPOSITS

The Group

At 31 December 2010, RMB96,061,000 (31 December 2009: RMB76,013,000; 1 January 2009: RMB32,127,000) of the Group's bank deposits were pledged to banks as guarantees for the issuance of bank accepted bills for payments to suppliers.

At 31 December 2009, RMB200,000,000 (1 January 2009: RMB383,783,000) and RMB74,724,000 (1 January 2009: RMB90,000,000) of the Group's bank deposits were pledged to banks to secure banking facilities and bank borrowings granted to the Group and were restricted for use in relation to outstanding litigation cases, respectively.

The Company

As at 1 January 2009, deposits amounting to RMB136,784,000 were pledged to a bank to secure banking facilities granted to the Company's subsidiary, GLS.

20 CASH AND CASH EQUIVALENTS

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash at bank and in hand	**288,422**	315,860	261,602	**72,224**	3,032	2,514

Cash and cash equivalents of the Group and of the Company amounting to RMB18,310,000 (31 December 2009: RMB15,039,000; 1 January 2009: RMB21,626,000) and RMB19,000 (31 December 2009: RMB48,000; 1 January 2009: RMB46,000) respectively are non-interest bearing.

21 TRADE AND OTHER PAYABLES

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Notes payable	**81,850**	81,200	42,007	**–**	–	–
Creditors and accrued charges	**3,091,134**	2,749,645	2,822,225	**44,647**	6,934	4,764
Amounts due to related companies (note 38(b))	**137,780**	184,208	167,490	**9,646**	686	3,419
Derivative cash flow hedging instruments	**6,734**	–	–	**6,734**	–	–
Amounts due to subsidiaries	**–**	–	–	**186,383**	185,218	184,771
	3,317,498	3,015,053	3,031,722	**247,410**	192,838	192,954

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21 TRADE AND OTHER PAYABLES (continued)

All of the trade and other payables apart from amounts due to subsidiaries are expected to be settled within one year.

The above balances with related parties are unsecured, non-interest bearing and repayable on demand.

Included in the Group's trade and other payables are trade creditors and notes payable of RMB2,375,738,000 (31 December 2009: RMB2,126,186,000; 1 January 2009: RMB2,101,475,000) with the following ageing analysis as of the reporting date:

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Uninvoiced purchases	**886,294**	710,536	758,548	**–**	–	–
Within 30 days of invoice date	**1,460,805**	1,066,171	1,004,303	**–**	–	–
31 to 60 days after invoice date	**23,964**	276,586	251,560	**–**	–	–
61 to 90 days after invoice date	**821**	11,898	45,363	**–**	–	–
More than 90 days after invoice date	**3,854**	60,995	41,701	**–**	–	–
	2,375,738	2,126,186	2,101,475	**–**	–	–

22 BANK LOANS

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Short-term bank loans	**–**	1,310,345	1,039,507	**–**	33,653	33,707
Long-term bank loan due within 1 year	**145,693**	17,170	754,022	**86,622**	17,170	343,945
Within 1 year	**145,693**	1,327,515	1,793,529	**86,622**	50,823	377,652
Long-term bank loans due over 1 year	**1,410,024**	326,231	–	**808,476**	326,231	–
	1,555,717	1,653,746	1,793,529	**895,098**	377,054	377,652

22 BANK LOANS (continued)

At 31 December 2010, the Group's bank loans are secured/guaranteed as follows:

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Secured bank loans						
– Secured by assets held by the Group (note)	**1,555,717**	300,000	465,000	**895,098**	–	–
– Secured by assets held by related parties	**–**	343,401	343,946	**–**	343,401	343,946
– Secured by letters of credit issued by the ultimate holding company through financial institutions	**–**	201,653	202,506	**–**	33,653	33,706
	1,555,717	845,054	1,011,452	**895,098**	377,054	377,652
Unsecured bank loans						
– Guaranteed by the Company and its subsidiaries	**–**	352,000	25,000	**–**	–	–
– Guaranteed by a related company	**–**	47,000	47,000	**–**	–	–
– Unsecured bank loans (note)	**–**	409,692	710,077	**–**	–	–
	1,555,717	1,653,746	1,793,529	**895,098**	377,054	377,652

Note: At 31 December 2010, the Group has drawn down floating rate bank loans under the Facility Agreements of RMB302,475,000 and USD188,925,000 (equivalent to RMB1,253,242,000), totalling RMB1,555,717,000, bearing interest at over five years' People's Bank of China lending rate ("PBOC rate") multiplied by 1.275 per annum and three-month London Interbank Offered Rate ("LIBOR") plus 4% per annum respectively, which are secured by the share capital of certain of its subsidiaries. In addition, the Group's ultimate holding company has issued a letter of undertaking for these loans to the respective lending banks (see note 1(b)).

At 31 December 2009, the Group had drawn down floating rate bank loans of RMB300,000,000 (1 January 2009: RMB465,000,000) bearing interest at six-month PBOC rate per annum (1 January 2009: PBOC rate multiplied by 1.1 per annum, six-month PBOC rate per annum and six-month PBOC rate multipled by 1.1 per annum), which were secured by pledged bank deposits of RMB200,000,000 (1 January 2009: RMB383,783,000). These loans were fully repaid by the Group in 2010.

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23 OTHER LOANS

	The Group			The Company		
	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000	**31 December 2010 RMB'000**	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
Loans from third parties (note (i))	**57,185**	245,824	96,305	**–**	191,755	96,305
Loans from related companies (note (ii))	**185,102**	512,000	676,924	**–**	–	68,789
Amounts due to a subsidiary (note (iii))	**–**	–	–	**93,672**	103,789	135,604
	242,287	757,824	773,229	**93,672**	295,544	300,698
Represented by:						
Within one year	**242,287**	757,824	773,229	**93,672**	295,544	300,698

Notes:

(i) The loans from third parties are unsecured and bearing interest ranging from 1.876% to 5.31% per annum (31 December 2009: 1.76% to 6.50% per annum; 1 January 2009: 5.34% to 7.14% per annum).

(ii) The loans from certain fellow subsidiaries of the Group and other entities related to the Group's ultimate holding company are unsecured and bearing fixed interest at 5.982% to 6.25% per annum (31 December 2009: 5.985% to 6% per annum; 1 January 2009: 2.925% to 7.88% per annum).

(iii) RMB35,180,000 of the amounts due to a subsidiary bears interest at LIBOR plus 2% per annum. The remaining amounts are non-interest bearing. The amounts due to a subsidiary have no fixed terms of repayment.

24 CONVERTIBLE BONDS

On 31 October 2008, the Company issued convertible bonds due in 2011 in the aggregate principal amount of HK$1,519,873,031 (equivalent to RMB1,338,505,531) (the "Convertible Bonds") as part of the consideration to acquire SLS based on the acquisition agreement dated 17 May 2007 (the "Acquisition Agreement"). Contemporaneously, a related party subscribed for additional convertible bonds due in 2011 in the aggregate principal amount of HK$156,380,000 (equivalent to RMB137,719,000) (the "Subscribed Convertible Bonds") at their principal amount payable in cash. The terms of the Subscribed Convertible Bonds are the same as those of the Convertible Bonds as follows:

(i) Maturity/Redemption

– Maturity date

The date falling on the 3rd anniversary of the date of the completion of the Acquisition Agreement relating to SLS, which was determined as 31 October 2008, or (if mutually agreed in writing between the Company and the bondholders) the date falling on the 5th anniversary of the date of completion of the Acquisition Agreement relating to SLS.

24 CONVERTIBLE BONDS (continued)

(i) Maturity/Redemption (continued)

– Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds/Subscribed Convertible Bonds will be redeemed on the Maturity Date at the redemption amount equivalent to the sum of (i) the principal amount of the Convertible Bonds/Subscribed Convertible Bonds being redeemed and (ii) such amount which would (if aggregated with all interest previously paid on the Convertible Bonds/Subscribed Convertible Bonds being redeemed) result in the bondholder receiving a 3.5% per annum yield to maturity on the principal amount of the Convertible Bonds/Subscribed Convertible Bonds to the Maturity Date.

(ii) Interest

1% per annum on the principal amount of the Convertible Bonds/Subscribed Convertible Bonds.

(iii) Conversion

– Conversion period

From the 7th day after the date of issue of the Convertible Bonds/Subscribed Convertible Bonds up to and including the date which is 7 days prior to the Maturity Date.

– Optional conversion

The bondholder shall have the right to convert any Convertible Bonds/Subscribed Convertible Bonds into ordinary shares during the Conversion Period at the conversion price defined below.

– Automatic conversion

The Convertible Bonds/Subscribed Convertible Bonds will be automatically converted if either of the following events occur: (a) the closing price of the ordinary shares as quoted on The Stock Exchange of Hong Kong Limited is equal to or higher than HK$0.43 (as adjusted for stock splits, stock combination, stock dividends, reclassification and similar corporate action) on at least 15 consecutive trading days; or (b) the average of the closing price of the ordinary shares as quoted on The Stock Exchange of Hong Kong Limited on not less than 20 consecutive trading days is HK$0.43 or higher (as adjusted for stock splits, stock combination, stock dividends, reclassification and similar corporate action).

– Conversion price

The price at which the ordinary shares will be issued upon conversion of the Convertible Bonds/Subscribed Convertible Bonds will initially be HK$0.39 per ordinary share, subject to adjustments upon the occurrence of certain prescribed events including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves, capital distribution, rights issues of the ordinary shares or options over the ordinary shares, rights issues of other securities, issues at less than current market price. The conversion price may not be reduced so that, on conversion, the ordinary shares would be issued at a discount to their nominal value.

24 CONVERTIBLE BONDS (continued)

(iv) Transferability

The Convertible Bonds/Subscribed Convertible Bonds may be assigned or transferred to any third party or parties other than a connected person of the Company unless necessary approvals and consents by independent shareholders of the Company have been obtained with respect to any assignment or transfer of the Convertible Bonds/ Subscribed Convertible Bonds to a connected party of the Company.

As the functional currency of the Company is HK$, the conversion of the Convertible Bonds/Subscribed Convertible Bonds denominated in HK$ would result in settlement by exchange of a fixed amount of cash in HK$, for a fixed number of the Company's ordinary shares. In accordance with the requirements of HKAS 39, *Financial instruments-recognition and measurement*, the bond contract must be separated into a liability component consisting of the straight debt element of the Convertible Bonds/Subscribed Convertible Bonds, and an equity component representing the conversion option of the bondholders. The fair value/proceeds of the Convertible Bonds/Subscribed Convertible Bonds were split as below:

(i) Liability components were initially measured at the present value of the contractually determined stream of cash flows discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The interest charged for the period is calculated by applying an effective interest rate of 17.07% and 17.32% to the liability component since the Convertible Bonds and Subscribed Convertible Bonds were issued respectively.

(ii) Equity component represents the option to convert the Convertible Bonds/ Subscribed Convertible Bonds into ordinary shares of the Company, and is determined by deducting the fair value of the liability component from the fair value/proceeds of the Convertible Bonds/Subscribed Convertible Bonds of the compound financial instrument as a whole.

There are no embedded derivatives which should be separately accounted for relating to the Convertible Bonds or Subscribed Convertible Bonds.

On 16 March 2010, the Company entered into an agreement with the holders of the Convertible Bonds and the Subscribed Convertible Bonds, which are entities related to the Group's ultimate holding company, to purchase and cancel all outstanding Convertible Bonds and Subscribed Convertible Bonds in issue with the consideration to be satisfied by the issuance by the Company to the bondholders of a total of 3,897,110,334 new convertible preference shares (note 29(a)). The transaction was completed on 30 June 2010. As at 30 June 2010, the carrying value of the redeemed outstanding Convertible Bonds and Subscribed Convertible Bonds was RMB1,427,256,000, including liability component and equity component of RMB1,162,717,000 and RMB264,539,000 respectively. The difference of RMB408,487,000 between the fair value of the new convertible preference shares issued of RMB754,230,000 and the liability component of the redeemed outstanding Convertible Bonds and Subscribed Convertible Bonds is recognised as gain on redemption of convertible bonds in profit or loss for the year ended 31 December 2010.

24 CONVERTIBLE BONDS (continued)

The movement of the liability component of the Convertible Bonds/Subscribed Convertible Bonds for the year is set out below:

	Convertible Bonds RMB'000	Subscribed Convertible Bonds RMB'000	Total RMB'000
As at 1 January 2009	940,096	96,087	1,036,183
Exchange adjustments	(1,402)	(153)	(1,555)
Interest charged for the year	150,348	17,247	167,595
Interest paid during the year	(12,118)	(1,390)	(13,508)
Redeemed during the year	(97,997)	–	(97,997)
As at 31 December 2009 and 1 January 2010	978,927	111,791	1,090,718
Exchange adjustments	(9,589)	(1,096)	(10,685)
Interest charged for the year	81,957	9,502	91,459
Interest paid during the year	(7,872)	(903)	(8,775)
Redeemed and cancelled during the year	(1,043,423)	(119,294)	(1,162,717)
As at 31 December 2010	–	–	–

25. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

An analysis of the consideration payable for acquisition of subsidiaries is set out as follows:

	The Group		
	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
Acquisition of 40% equity interest in Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF")	**–**	53,227	106,624
Represented by:			
Current portion	**–**	53,227	53,312
Non-current portion	**–**	–	53,312
	–	53,227	106,624

10% of the consideration payable for the acquisition of Lotus-CPF was paid upon completion of the acquisition during 2006. The remaining amount is payable in eight half-yearly instalments with the first instalment due in April 2007. The outstanding amount as at 31 December 2009 bore interest at LIBOR plus 2% per annum and was secured by 38,960,000 registered shares of Lotus-CPF pledged to the seller, which is a related company, as security for the due and punctual performance of the Group's obligation under a Share Sale and Purchase Agreement dated 27 February 2006 made between a subsidiary of the Company and the seller. This outstanding consideration payable was fully settled in 2010.

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26 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2010, the Group had obligations under finance leases repayable as follows:

	The Group					
	31 December 2010		31 December 2009		1 January 2009	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments (Restated)	Total minimum lease payments (Restated)	Present value of the minimum lease payments (Restated)	Total minimum lease payments (Restated)
	RMB'000	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	**5,150**	**24,509**	4,302	24,118	3,899	24,118
After 1 year but within 2 years	**6,052**	**24,858**	5,150	24,509	4,302	24,118
After 2 years but within 5 years	**23,428**	**75,738**	20,512	74,976	17,880	74,225
After 5 years	**163,679**	**254,670**	172,647	280,290	180,428	305,551
	193,159	**355,266**	198,309	379,775	202,610	403,894
	198,309	**379,775**	202,611	403,893	206,509	428,012
Less: Total future interest expenses		**(181,466)**		(201,282)		(221,503)
Present value of lease obligations		**198,309**		202,611		206,509

27 PROVISIONS

Provisions have been made for the Directors' best estimate of the expected costs associated with the cancellation by the Group of certain new store projects. Provisions are summarised as follows:

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
At 1 January	**44,324**	62,881
Provisions utilised	**(43,773)**	(18,557)
At 31 December	**551**	44,324

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2010	2009 (Restated)	**2010**	2009 (Restated)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC income tax for the year	**17,617**	13,728	**–**	–
PRC income tax (paid)/ refunded	**(13,130)**	3,468	**–**	–
Balance of income tax provision related to prior year	**12,218**	(4,978)	**–**	–
At 31 December	**16,705**	12,218	**–**	–

	The Group			The Company		
	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Balance of current taxation	**16,705**	12,430	3,203	**–**	–	–
Balance of tax recoverable	**–**	(212)	(8,181)	**–**	–	–
Total	**16,705**	12,218	(4,978)	**–**	–	–

(b) Deferred tax assets and liabilities recognised – the Group

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Property, plant and equipment	Interests in leasehold land held for own use under operating leases	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:						
At 1 January 2009	99,549	8,346	(15,897)	(57,481)	11,567	46,084
Credited/(Charged) to profit or loss (note 6(a))	(8,533)	(190)	880	1,855	(1,445)	(7,433)
At 31 December 2009	91,016	8,156	(15,017)	(55,626)	10,122	38,651
Credited/(Charged) to profit or loss (note 6(a))	21,827	(671)	944	2,677	1,506	26,283
At 31 December 2010	112,843	7,485	(14,073)	(52,949)	11,628	64,934

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised – the Group (continued)

An analysis of the net deferred tax asset and liability is set out as follows:

	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
Net deferred tax assets	**106,596**	82,985	93,160
Net deferred tax liabilities	**(41,662)**	(44,334)	(47,076)
	64,934	38,651	46,084

(c) Deferred tax assets not recognised – the Group

	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
Tax losses	**1,344,267**	1,541,310	1,512,647
Deductible temporary differences	**114,641**	135,012	103,509
	1,458,908	1,676,322	1,616,156

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits against which the above items can be utilised will be available in the relevant tax jurisdictions and entities.

Excluding the tax losses of the Company which do not expire, the tax losses can be carried forward up to five years from the year in which the loss originated, and will expire in the following years:

	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
2009	**–**	–	37,810
2010	**–**	156,040	179,986
2011	**354,629**	545,307	585,227
2012	**401,844**	422,992	447,995
2013	**230,876**	245,784	230,503
2014	**133,790**	140,597	–
2015	**192,538**	–	–
	1,313,677	1,510,720	1,481,521

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (continued)

(d) Deferred tax assets not recognised – the Company

At 31 December 2010, the Company has not recognised deferred tax assets in respect of accumulative tax losses of RMB30,590,000 (31 December 2009: RMB30,590,000; 1 January 2009: RMB31,126,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

29 SHARE CAPITAL

(a) Authorised and issued share capital

	31 December 2010		31 December 2009		1 January 2009	
	No. of shares		No. of shares		No. of shares	
	('000)	**HK$'000**	('000)	HK$'000	('000)	HK$'000
Authorised:						
Ordinary shares at par value of HK$0.02 each	**34,000,000**	**680,000**	18,000,000	360,000	18,000,000	360,000
Convertible preference shares at par value of HK$0.02 each	**2,000,000**	**40,000**	2,000,000	40,000	2,000,000	40,000
New convertible preference shares at par value of HK$0.02 each	**4,000,000**	**80,000**	–	–	–	–

	2010		2009	
	No. of shares ('000)	**RMB'000**	No. of shares ('000)	(Restated) RMB'000
Issued and fully paid:				
Ordinary shares				
At 1 January and 31 December	**9,184,414**	**185,865**	9,184,414	185,865
Convertible preference shares				
At 1 January and 31 December	**1,518,807**	**26,725**	1,518,807	26,725
New convertible preference shares				
At 1 January	**–**	**–**	–	–
Issue during the year	**3,897,110**	**67,995**	–	–
At 31 December	**3,897,110**	**67,995**	–	–
Total at 31 December	**14,600,331**	**280,585**	10,703,221	212,590

29 SHARE CAPITAL (continued)

(a) Authorised and issued share capital (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Both the convertible preference shares and new convertible preference shares are non-voting shares. The holders of these shares are entitled to receive the same dividends as the holders of ordinary shares. In addition, the holders of these shares have the right to convert any preference share into the Company's ordinary shares at any time at the conversion price at the rate of 1 to 1 each. Adjustments to the conversion price are only made upon dilutive and other events which are related to the Company issuing new shares or convertible debts.

By resolutions passed at the extraordinary and annual general meetings held on 26 April 2010 and 17 June 2010, the Company's authorised share capital was increased to HK$800,000,000 by creation of an additional 4,000,000,000 new convertible preference shares of HK$0.02 each and 16,000,000,000 ordinary shares of HK$0.02 each respectively.

As set out in note 24, the Company issued 3,897,110,334 new convertible preference shares on 30 June 2010 to redeem all the outstanding Convertible Bonds and Subscribed Convertible Bonds. The fair value of the new convertible preference shares on the issuance date was determined at HK$0.22185 per share (equivalent to RMB0.1935 per share). Accordingly, HK$77,942,000 (equivalent to RMB67,995,000) and HK$786,632,000 (equivalent to RMB686,235,000) were credited to share capital and share premium, respectively.

(b) Terms and numbers of unexpired and unexercised share options at reporting date

Details of the unexpired and unexercised share options at the reporting date are set out in note 31(a) to the financial statements.

30 RESERVES

(a) The Company

	Share premium (Note (c)) RMB'000	Share option reserve (Note (c)) RMB'000	Exchange reserve (Note (c)) RMB'000	Hedging reserve (Note (c)) RMB'000	Convertible bonds reserve (Note (c)) RMB'000	Retained earnings/ (Accumulated losses) (Note (b)) RMB'000	Total RMB'000
At 1 January 2009	1,321,876	53,841	(65,655)	–	289,779	(810,805)	789,036
Loss for the year	–	–	–	–	–	(131,332)	(131,332)
Other comprehensive loss	–	–	(1,482)	–	–	–	(1,482)
Total comprehensive loss for the year	–	–	(1,482)	–	–	(131,332)	(132,814)
Redemption of convertible bonds	–	–	–	–	(25,240)	5,756	(19,484)
At 31 December 2009	1,321,876	53,841	(67,137)	–	264,539	(936,381)	636,738
At 1 January 2010	1,321,876	53,841	(67,137)	–	264,539	(936,381)	636,738
Profit for the year	–	–	–	–	–	424,322	424,322
Other comprehensive loss	–	–	(56,604)	(6,734)	–	–	(63,338)
Total comprehensive income for the year	–	–	(56,604)	(6,734)	–	424,322	360,984
Issue of new convertible preference shares to redeem convertible bonds (notes 24 & 29)	686,235	–	–	–	(264,539)	264,539	686,235
Transfer (note 30(c))	(1,266,681)	–	–	–	–	1,266,681	–
	(580,446)	–	–	–	(264,539)	1,531,220	686,235
At 31 December 2010	741,430	53,841	(123,741)	(6,734)	–	1,019,161	1,683,957

30 RESERVES (continued)

(b) Distributability of reserves

In accordance with the Company's articles of association, distributions shall be payable out of the profits of the Company. At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$1,124,405,000 (equivalent to RMB1,019,161,000) (2009: Nil).

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Ordinance (Revised) of the Cayman Islands.

Under the Companies Ordinance (Revised) of the Cayman Islands, share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

On 29 November 2010, the shareholders of the Company approved to reduce the share premium account of the Company by an amount of HK$1,217,243,000 (equivalent to RMB1,266,681,000 at the historical exchange rate) with the credit arising therefrom to be transferred to retained earnings.

(ii) Revaluation reserve

The revaluation reserve represents the difference between the Group's share of the fair value of the associate's net assets and the Group's interest in associate at the date the associate became a subsidiary of the Group.

(iii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 1(t)(ii).

(iv) Reorganisation reserve

The reorganisation reserve of the Group represents the excess amount of the net asset value as at 31 December 1990 of the Group's former listed holding company, Creative Investment Limited ("CIL"), over the nominal value of the Company's shares issued for the acquisition of 100% equity interest in CIL, pursuant to a Scheme of Arrangement in 1991.

During 2010, the directors of CIL resolved to liquidate CIL and distribute its reorganisation reserve to the Company. Accordingly, the reorganisation reserve balance was transferred to retained earnings within the Group's consolidated equity.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(x).

30 RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

(vii) Convertible bonds reserve

The convertible bonds reserve represents the equity component of the convertible bonds recognised in accordance with the accounting policy set out in note 1(p). As set out in note 24, all the outstanding Convertible Bonds and Subscribed Convertible Bonds were purchased and cancelled on 30 June 2010. Accordingly, the convertible bonds reserve was fully transferred to retained earnings.

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can provide returns for equity holders and benefits for other stakeholders and secure access to finance at a reasonable cost.

The Group actively and regularly reviews its capital structure to ensure it is in compliance with any loan covenants. The Group also monitors capital on the basis of the gearing ratio which is calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity.

31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The basis of eligibility of any of the eligible persons to the grant of options shall be determined by the Board of Directors from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The Scheme became effective on 31 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Under the Scheme, the maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under the Scheme to each eligible participant within a 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determinable by the Board of Directors, which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier. No vesting period is set for each grant of options.

The options for the time being outstanding may be exercised in whole or in part at any time during the exercise period.

(Expressed in Renminbi Yuan unless otherwise indicated)

31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

The exercise price of the share options is determined by the Board of Directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "Daily Quotation Sheets") on the date of the offer of the share options; and (ii) the average closing price of the Company's shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price	Number of share options	Vesting conditions	Contractual life of options
Options granted to directors:				
– on 6 June 2002	HK$0.07	539,695,296	Immediate from the date of grant	10 years
– on 10 November 2003	HK$0.19	539,695,296	Immediate from the date of grant	10 years
– on 24 May 2005	HK$0.11	599,661,440	Immediate from the date of grant	10 years
Options granted to employees:				
– on 6 June 2002	HK$0.07	59,966,144	Immediate from the date of grant	10 years
– on 10 November 2003	HK$0.19	59,966,144	Immediate from the date of grant	10 years
Total number of share options		1,798,984,320		

Each option entitles the holder to subscribe for one ordinary share in the Company.

(b) The number and weighted average exercise prices of share options are as follows:

	31 December 2010 and 2009 and 1 January 2009	
	Weighted average exercise price	Number of shares
Outstanding at 1 January and 31 December	HK$0.123	1,798,984,320
Equivalent to	RMB0.105	

The options outstanding at 31 December 2010 had an exercise price of HK$0.07, HK$0.11 or HK$0.19 (31 December 2009 and 1 January 2009: HK$0.07, HK$0.11 or HK$0.19) and a weighted average remaining contractual life of 2.9 years (31 December 2009: 3.9 years; 1 January 2009: 4.9 years).

32 SEGMENT INFORMATION

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

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management monitors the exposures to these credit risks on an ongoing basis.

As set out in note 38(b), the Group had receivables due from C.P. Holding (BVI) Investment Company Limited ("CPH"), which is the Company's immediate holding company, and its subsidiaries amounting to approximately RMB484 million (31 December 2009: RMB583 million; 1 January 2009: RMB679 million) as at 31 December 2010, which represent approximately 70% (31 December 2009: 76%; 1 January 2009: 78%) of the Group's total trade and other receivables. Given CPH is the Company's immediate holding company and wholly-owned by the Group's ultimate holding company, the Directors consider that the amounts due from CPH and its subsidiaries are fully recoverable.

Except for the above, the Group has no other significant concentration of credit risk on trade and other receivables. Sales to retail customers are mainly made in cash or via major credit cards. Cash and deposits are placed with banks which the Directors consider have sound credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations and obtain adequate finance from external parties or its ultimate holding company to meet its debt obligations and committed future capital expenditures as and when they fall due.

As at 31 December 2010, the Group had net current liabilities of approximately RMB1,820 million (31 December 2009: RMB3,024 million; 1 January 2009: RMB3,262 million). The Group's liabilities as at 31 December 2010 include loans of approximately RMB185 million (31 December 2009: RMB512 million; 1 January 2009: RMB677 million) (note 23) due to companies related to the Group's ultimate holding company and, as disclosed in note 22, a letter of undertaking has been issued by the ultimate holding company in respect of the bank loans and facilities of the Group. The Group generated net cash from operating activities of approximately RMB623 million during the year ended 31 December 2010 (2009: RMB448 million).

In preparing the financial statements, the Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 31 December 2011. In preparing the cash flow forecast, the Directors have considered historical cash requirements of the Group which may impact the operations of the Group during the next twelve-month period. The Directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

Based on the cash flow forecast prepared, the Group's operating performance and cash flows in 2010, and the long-term loan facilities obtained under the Facility Agreements, the Directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group for the forthcoming year.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

The Group	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
1 January 2009						
Non-derivative financial liabilities						
Bank loans	(1,834,756)	–	–	–	(1,834,756)	1,793,529
Other loans	(808,924)	–	–	–	(808,924)	773,229
Notes payable, creditors and accrued charges	(2,864,232)	–	–	–	(2,864,232)	2,864,232
Amounts due to related companies	(167,490)	–	–	–	(167,490)	167,490
Consideration payable for acquisition of subsidiaries	(58,154)	(55,386)	–	–	(113,540)	106,624
Obligations under finance leases	(24,118)	(24,118)	(74,225)	(305,551)	(428,012)	206,509
Convertible bonds	(14,783)	(14,783)	(1,607,474)	–	(1,637,040)	1,036,183
	(5,772,457)	(94,287)	(1,681,699)	(305,551)	(7,853,994)	6,947,796
31 December 2009						
Non-derivative financial liabilities						
Bank loans	(1,371,270)	(64,570)	(277,661)	–	(1,713,501)	1,653,746
Other loans	(783,810)	–	–	–	(783,810)	757,824
Notes payable, creditors and accrued charges	(2,830,845)	–	–	–	(2,830,845)	2,830,845
Amounts due to related companies	(184,208)	–	–	–	(184,208)	184,208
Consideration payable for acquisition of subsidiaries	(54,264)	–	–	–	(54,264)	53,227
Obligations under finance leases	(24,118)	(24,509)	(74,976)	(280,290)	(403,893)	202,611
Convertible bonds	(13,383)	(1,455,200)	–	–	(1,468,583)	1,090,718
	(5,261,898)	(1,544,279)	(352,637)	(280,290)	(7,439,104)	6,773,179
31 December 2010						
Non-derivative financial liabilities						
Bank loans	(229,764)	(295,519)	(1,325,879)	–	(1,851,162)	1,555,717
Other loans	(251,132)	–	–	–	(251,132)	242,287
Notes payable, creditors and accrued charges	(3,179,718)	–	–	–	(3,179,718)	3,179,718
Amounts due to related companies	(137,780)	–	–	–	(137,780)	137,780
Obligations under finance leases	(24,509)	(24,858)	(75,738)	(254,670)	(379,775)	198,309
	(3,822,903)	(320,377)	(1,401,617)	(254,670)	(5,799,567)	5,313,811

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Company

	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
1 January 2009						
Non-derivative financial liabilities						
Bank loans	(381,992)	–	–	–	(381,992)	377,652
Other loans	(307,752)	–	–	–	(307,752)	300,698
Creditors and accrued charges	(4,764)	–	–	–	(4,764)	4,764
Amounts due to related companies	(3,419)	–	–	–	(3,419)	3,419
Amounts due to subsidiaries	(184,771)	–	–	–	(184,771)	184,771
Convertible bonds	(14,783)	(14,783)	(1,607,474)	–	(1,637,040)	1,036,183
	(897,481)	(14,783)	(1,607,474)	–	(2,519,738)	1,907,487
31 December 2009						
Non-derivative financial liabilities						
Bank loans	(65,423)	(64,570)	(277,661)	–	(407,654)	377,054
Other loans	(296,564)	–	–	–	(296,564)	295,544
Creditors and accrued charges	(6,934)	–	–	–	(6,934)	6,934
Amounts due to related companies	(686)	–	–	–	(686)	686
Amounts due to subsidiaries	(185,218)	–	–	–	(185,218)	185,218
Convertible bonds	(13,383)	(1,455,200)	–	–	(1,468,583)	1,090,718
	(568,208)	(1,519,770)	(277,661)	–	(2,365,639)	1,956,154
31 December 2010						
Non-derivative financial liabilities						
Bank loans	(131,605)	(184,148)	(729,410)	–	(1,045,163)	895,098
Other loans	(93,672)	–	–	–	(93,672)	93,672
Creditors and accrued charges	(51,381)	–	–	–	(51,381)	51,381
Amounts due to related companies	(9,646)	–	–	–	(9,646)	9,646
Amounts due to subsidiaries	(186,383)	–	–	–	(186,383)	186,383
	(472,687)	(184,148)	(729,410)	–	(1,386,245)	1,236,180

(c) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents, pledged and restricted bank deposits, bank loans, other loans, obligations under finance leases and consideration payable for acquisition of subsidiaries.

Interest rate swaps, denominated in USD, have been entered into to achieve an appropriate fixed rate exposure on the Company's bank loans. At 31 December 2010, the Group and the Company had interest rate swaps with a notional contract amount of USD135 million, which it has designated as cash flow hedges of the interest rate risk inherent in the Company's variable rate bank loans.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

The swaps mature over the next 1.5 years matching the cash flow of the interest payments of the related loans (see note 22) and have a fixed swap rate of 5.15% (effective swap rate of 5.25%). The net fair value of swaps entered into by the Group and the Company at 31 December 2010 was RMB6,734,000. This amount is recognised as derivative financial instruments and included in trade and other payables.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's and the Company's net borrowings (interest-bearing liabilities less interest-bearing financial investments excluding cash held for short-term working capital purposes) at the end of the reporting period.

The Group

	31 December 2010		31 December 2009		1 January 2009	
	Effective interest rate	**Carrying value**	Effective interest rate	Carrying value (Restated)	Effective interest rate	Carrying value (Restated)
		RMB'000		RMB'000		RMB'000
Variable rate instruments:						
Pledged and restricted bank deposits	**1.75%**	**96,061**	1.77%	350,737	0.70%	505,910
Cash and cash equivalents	**0.22%**	**270,112**	0.36%	300,821	0.36%	239,976
Bank loans	**5.92%**	**(660,619)**	4.68%	(1,653,746)	4.94%	(1,468,529)
Other loans	**1.88%**	**(44,185)**	1.76%	(41,069)	5.15%	(109,923)
Consideration payable for acquisition of subsidiaries		**–**	2.56%	(53,227)	5.12%	(106,624)
		(338,631)		(1,096,484)		(939,190)
Fixed rate instruments:						
Bank loans	**5.25%**	**(895,098)**		–	7.51%	(325,000)
Other loans	**6.14%**	**(198,102)**	5.18%	(716,755)	7.25%	(663,306)
Obligations under finance leases	**9.80%-10.03%**	**(198,309)**	9.80%-10.03%	(202,611)	9.80%-10.03%	(206,509)
Convertible bonds		**–**	17.07% and 17.32%	(1,090,718)	17.07% and 17.32%	(1,036,183)
		(1,291,509)		(2,010,084)		(2,230,998)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

The Company

	31 December 2010		31 December 2009		1 January 2009	
	Effective interest rate	Carrying value	Effective interest rate	Carrying value (Restated)	Effective interest rate	Carrying value (Restated)
		RMB'000		RMB'000		RMB'000
Variable rate instruments:						
Cash and cash equivalents	0.01%	72,205	0.01%	2,984	0.36%	2,468
Pledged deposits		–		–	0.23%	136,784
Bank loans		–	4.06%	(377,054)	4.84%	(377,652)
Other loans	3.02%	(35,180)	3.02%	(36,401)	5.89%	(105,247)
		37,025		(410,471)		(343,647)
Fixed rate instruments:						
Bank loans	5.25%	(895,098)		–		–
Other loans		–	2.98%	(191,755)	5.51%	(96,305)
Convertible bonds		–	17.07% and 17.32%	(1,090,718)	17.07% and 17.32%	(1,036,183)
		(895,098)		(1,282,473)		(1,132,488)

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a change of 100 basis points in interest rates, with all other variables held constant, would increase/(decrease) the Group's net profit after income tax and retained earnings by the amounts shown below:

	Year ended 31 December 2010	Year ended 31 December 2009 (Restated)
	RMB'000	RMB'000
Variable rate instrument:		
100 basis point increase	(3,386)	(10,965)
100 basis point decrease	3,386	10,965

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2009.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

The Directors consider that as the Group's retail operations are all based in the PRC, the Group is 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 USD. At 31 December 2010, 2009 and 1 January 2009, the relevant bank loans amounted to USD54,075,000, USD60,000,000 and USD60,000,000, respectively.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009 and 1 January 2009.

34 CONTINGENT LIABILITIES

As at the reporting date, the Company has issued two guarantees to an independent third party which expire in 2025 and two guarantees to a bank which expire in March 2011 and July 2011 respectively in respect of finance lease arrangements entered into by its subsidiaries (see note 26). As at the end of reporting period, 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 the end of the reporting period under the guarantees issued is 100% of the future minimum lease payments under the two lease agreements entered into by the subsidiaries of RMB100 million.

35 OPERATING LEASE COMMITMENTS

As lessee

At 31 December 2010, total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2010	2009 (Restated)	**2010**	2009 (Restated)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**290,293**	286,719	**–**	–
After 1 year but within 5 years	**388,404**	357,638	**–**	–
After 5 years	**38,252**	38,328	**–**	–
	716,949	682,685	**–**	–

The Group is the lessee in respect of a number of office and store premises held under operating leases. The leases typically run for an initial period up to 20 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 3 to 7 years to reflect market rentals. None of the leases includes contingent rentals. The store leases typically provide the Group with the ability to cancel the leases within the lease period on payment of a penalty and/or after a minimum period of leasing.

35 OPERATING LEASE COMMITMENTS (continued)

As lessor

Property rental income earned net of negligible outgoings from subletting of the Group's leased properties during the year amounted to approximately RMB241,412,000 (2009: RMB216,816,000). All of the properties held have committed tenants for the next two to five years.

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
Within 1 year	**87,458**	84,572
After 1 year but within 5 years	**31,342**	38,201
After 5 years	**9,221**	16,057
	128,021	138,830

The leases typically run for an initial period of 3 months to 2 years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the tenants have commitments to pay additional rent of a proportion of turnover for certain sub-leased properties if the turnover generated from those sub-leased properties exceeds the predetermined levels. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

36 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
Contracted for	**54,737**	89,199
Authorised but not contracted for	**29,008**	31,139
	83,745	120,338

All of the above capital commitments were made in respect of the establishment of new hypermarket stores and renovation work on existing stores.

37 EMPLOYEE RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to join a Mandatory Provident Fund (the "MPF scheme"), a defined contribution scheme managed by an independent trustee. Under the rules of the MPF scheme, each of the Group and the employee make monthly contributions to the scheme at 5% of the employees' gross earnings, subject to a maximum of HK$1,000 per month per employee. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the scheme.

Employees of the Group in the PRC participate in several defined contribution retirement schemes organised separately by PRC municipal governments in regions where the major operations of the Group are located. The Group is required to contribute to these schemes at rates ranging from 10% to 21% (2009: 10% to 21%) of salary costs including certain allowances. A member of the retirement schemes is entitled to retirement benefits equal to a fixed proportion of the salary at the retirement date. The retirement benefit obligations of all existing and future retired staff of the Group are assumed by these schemes.

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group entered into the following material transactions with entities controlled by, or related to, the ultimate holding company, Charoen Pokphand Group Company Limited during the year.

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
CPH and its subsidiaries		
– Store merchandise sold	**542,097**	398,668
– Management service fee income (Note (i))	**–**	31,154
– Procurement service fee income	**1,761**	3,114
– IT service fee income	**9,843**	8,241
– Reimbursement of staff costs (Note (ii))	**75,153**	–
CP China Investment Limited and its subsidiaries		
– Store merchandise purchased	**208,755**	206,643
Other related companies		
– Proceeds from loans	**53,102**	30,000
– Repayment of loans	**380,000**	–
– Store merchandise purchased	**9**	10,052
– Store merchandise sold	**5,644**	–
– Rental income	**17,530**	17,540
– Rental expense	**18,000**	18,000
– Consulting fees	**6,384**	5,424
– Bank facility undertaking fee payable	**17,937**	6,944
– Guarantee fee payable	**2,374**	8,475
– Interest expenses in respect of:		
– Other loans	**27,992**	36,283
– Convertible bonds	**91,459**	150,138
– Consideration payable	**785**	3,541

38 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) On 1 January 2009, CPH and the Company agreed to terminate all the services under the management services agreement entered into on 17 May 2007 with effect from 1 April 2009.

(ii) The employment contracts of certain individuals who previously worked for the Group but now work for CPH and its subsidiaries on a full-time basis remain with the Group. The employment costs of such individuals were reimbursed by CPH to the Group. Total staff costs disclosed in note 5(b) are stated net of such reimbursement.

(b) In addition to the other loans and consideration payable due to related companies as disclosed in notes 23 and 25, the Group had the following balances with related companies:

	The Group			The Company		
	31 December 2010 RMB'000	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000	**31 December 2010 RMB'000**	31 December 2009 (Restated) RMB'000	1 January 2009 (Restated) RMB'000
Due from related companies						
–CPH and its subsidiaries	**483,758**	582,876	679,192	**7,861**	8,134	–
–CP China and its subsidiaries	**4,593**	–	3	**–**	–	–
–Other related companies	**4,423**	2,937	7,613	**–**	67	–
	492,774	585,813	686,808	**7,861**	8,201	–
Due to related companies						
–CPH and its subsidiaries	**14,952**	25,995	18,301	**–**	–	–
–CP China and its subsidiaries	**59,142**	86,440	92,285	**–**	–	3,419
–Other related companies	**63,686**	71,773	56,904	**9,646**	686	–
	137,780	184,208	167,490	**9,646**	686	3,419

38 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	The Group	
	2010	2009 (Restated)
	RMB'000	RMB'000
Short-term employee benefits	**20,648**	33,544
Post-employment benefits	**1,203**	38
Termination benefits	**–**	–
Equity compensation benefits	**–**	–
	21,851	33,582

Total remuneration is included in "staff costs" (see note 5(b)).

39 COMPARATIVE FIGURES

Bank loan arrangement and guarantee fees amounting to RMB18,974,000, operating costs amounting to RMB17,611,000 and subsidy income amounting to RMB10,078,000, which were recorded in administrative expenses in the 2009 financial statements are now presented as finance costs, distribution and store operating costs and other revenue respectively to reflect more appropriately the nature of the expenses.

In addition, as a result of the change in presentation currency from HK$ to RMB in the current reporting period, comparative figures have been restated accordingly. Further details are disclosed in note 2(a).

40 IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At 31 December 2010, the Directors consider the immediate holding company to be C.P. Holding (BVI) Investment Company Limited, which is incorporated in the British Virgin Islands, and ultimate holding company to be Charoen Pokphand Group Company Limited, which is incorporated in the Kingdom of Thailand. None of these entities produces financial statements available for public use.

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. Notes 14 and 33 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

41 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(a) *Depreciation of fixed assets*

Fixed assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the estimated useful lives of the assets and their residual values, if any. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) *Impairment*

If circumstances indicate that the carrying value of interests in subsidiaries, fixed assets, goodwill and other non-current assets may not be recoverable, these assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, *Impairment of Assets*. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable, except for goodwill which is tested annually for impairment. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(c) *Deferred tax*

At 31 December 2010, the Group has recognised a deferred tax asset in relation to tax losses carried forward of certain PRC subsidiaries, as set out in note 28. The realisability of the deferred tax asset mainly depends on whether it is probable that future taxable profits will be available against which the asset can be utilised. In assessing the need to recognise a deferred tax asset, management considers all available evidence, including projected future taxable income, tax planning strategies, historical taxable income, and the expiration period of the losses carried forward. In cases where the actual future taxable profits are less than expected, a reversal of a deferred tax asset may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments and interpretations and one new standard is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Summary of Financial Information

(Expressed in Renminbi Yuan)

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	2006 (Restated) RMB'000	2007 (Restated) RMB'000	2008 (Restated) RMB'000	2009 (Restated) RMB'000	**2010** **RMB'000**
RESULTS					
Turnover	3,569,100	4,271,068	5,583,633	8,783,361	**9,374,500**
Profit/(loss) before taxation	(575,565)	(297,787)	(37,310)	(214,571)	**340,656**
Taxation	(9,607)	1,380	(3,228)	(21,161)	**8,666**
Profit/(loss) after taxation	(585,172)	(296,407)	(40,538)	(235,732)	**349,322**
Profit from discontinued operations	229,109	–	–	–	**–**
Profit/(Loss) for the year	(356,063)	(296,407)	(40,538)	(235,732)	**349,322**
Attributable to:					
Equity shareholders of the Company	(342,864)	(298,959)	(40,422)	(235,732)	**349,322**
Non-controlling interests	(13,199)	2,552	(116)	–	**–**
Profit/(Loss) for the year	(356,063)	(296,407)	(40,538)	(235,732)	**349,322**
ASSETS AND LIABILITIES					
Total assets	2,470,715	2,308,762	7,448,417	7,009,128	**6,649,927**
Total liabilities	(2,540,422)	(2,607,831)	(7,060,956)	(6,874,267)	**(5,372,729)**
NET ASSETS/(LIABILITIES)	(69,707)	(299,069)	387,461	134,861	**1,277,198**
CAPITAL AND RESERVES					
Total equity attributable to equity shareholders of the Company	(72,236)	(301,586)	387,461	134,861	**1,275,198**
Non-controlling interests	2,529	2,517	–	–	**2,000**
TOTAL EQUITY	(69,707)	(299,069)	387,461	134,861	**1,277,198**

As a result of the change in presentation currency from HK$ to RMB during the year ended 31 December 2010, figures for the years from 2006 to 2009 have been restated. Information on this change in presentation currency is provided in note 2(a) to the financial statements.

Executive Directors
Mr. Dhanin Chearavanont *(Chairman)*
Mr. Soopakij Chearavanont
(Chief Executive Officer & Vice Chairman)
Mr. Narong Chearavanont *(Vice Chairman)*
Mr. Li Wen Hai *(Vice Chairman)*
Mr. Meth Jiaravanont
Mr. Michael Ross
Mr. Yang Xiaoping
Mr. Umroong Sanphasitvong
Mr. Robert Ping-Hsien Ho
Mr. Suphachai Chearavanont
Mr. Piyawat Titasattavorakul
Mr. Shih Hong-Mo

Independent Non-executive Directors
Mr. Viroj Sangsnit
Mr. Chokchai Kotikula
Mr. Cheng Yuk Wo

Audit Committee
Mr. Cheng Yuk Wo
Mr. Viroj Sangsnit
Mr. Chokchai Kotikula

Remuneration Committee
Mr. Soopakij Chearavanont
Mr. Umroong Sanphasitvong
Mr. Viroj Sangsnit
Mr. Chokchai Kotikula
Mr. Cheng Yuk Wo

Company Secretary
Ms. Choi Yi Mei

Authorized Representatives
Mr. Robert Ping-Hsien Ho
Ms. Choi Yi Mei

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Auditors
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8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Principal Bankers
The Siam Commercial Bank Public
Company Limited
Siam City Bank Public Company Limited
Bank of America, N.A.

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The Landmark
15 Queen's Road Central
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Maples and Calder
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Tesbury Centre
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Cayman Islands
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Grand Cayman
KY1-1104
Cayman Islands

Share Listing
The Stock Exchange of Hong Kong Limited
Stock Code: 00121

Company Website
http://www.cplotuscorp.hk

Financial Calendar and Shareholder Information

FINANCIAL CALENDAR 2011

Annual results announced	25 March 2011
Annual General Meeting	June 2011
2011 Interim Results	August 2011
Financial year end	31 December

SHAREHOLDER INFORMATION

Share Capital As at 31 December 2010	**Nominal value HK$**	**Number of shares**	**HK$'000**
Ordinary Shares			
Authorised	0.02	34,000,000,000	680,000
Issued and Fully Paid-up	0.02	9,184,414,410	183,688
Convertible Preference Shares			
Authorised	0.02	2,000,000,000	40,000
Issued and Fully Paid-up*	0.02	1,518,807,075	30,376
New Convertible Preference Shares			
Authorised	0.02	4,000,000,000	80,000
Issued and Fully Paid-up*	0.02	3,897,110,334	77,942

* Held by C.P. Holding (BVI) Investment Company Limited

Shareholding As at 31 December 2010	**No. of shares**	**% of issued share capital**
C.P. Holding (BVI) Investment Company Limited ("CPH")#	6,888,319,021	75%
Public	2,296,095,389	25%
TOTAL	9,184,414,410	100%

CPH is an indirect wholly-owned subsidiary of Charoen Pokphand Group Company Limited

STOCK CODE

Hong Kong Stock Exchange	00121
Reuters	0121 HK
Bloomberg	121 HK

Request for Feedback

Please email to contact@cplotuscorp.hk for any comments on our public announcement and disclosures.

C.P. Lotus Corporation

卜 蜂 蓮 花 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00121