

Interim Report

2011 中期報告



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



C.P. Lotus Corporation
卜蜂蓮花有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號: 00121




Welcome to 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 47 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.

卜蜂蓮花有限公司是亞洲領先的全球企業集團—卜蜂集團在中國設立的零售旗艦公司，總部位於上海，在華北、華東和華南擁有並營運47家卜蜂蓮花店鋪。同時本公司在上海、廣州、北京和西安分別設立了乾貨和生鮮配送中心，形成全國範圍的物流配送網路。

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.

作為「一站式」購物中心，本公司向消費者提供多種類的優質商品以及便利購物服務和體驗。本公司以「顧客第一」和「新鮮你的生活」為宗旨，希望能夠成為顧客最喜愛的生活購物中心，為所有家庭提供需要的、想要的和夢想得到的商品和服務。



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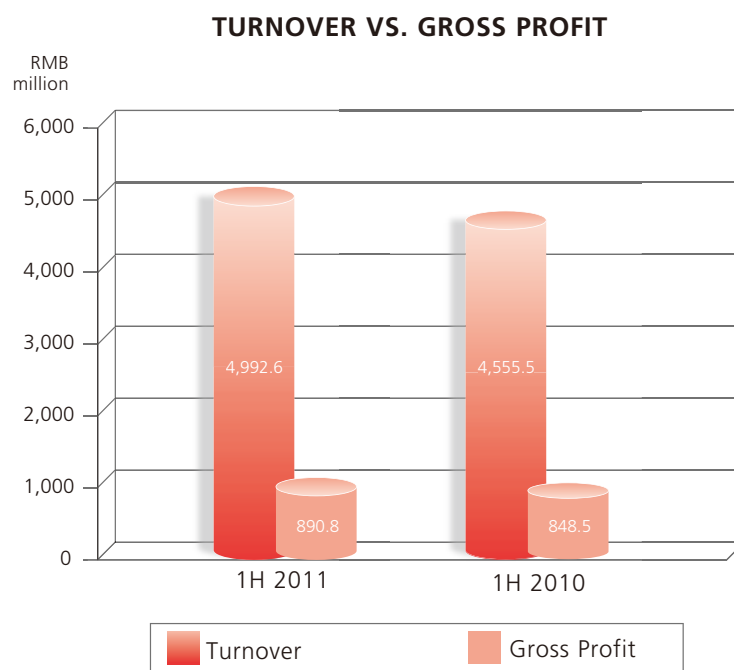
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Financial Highlights

	Unaudited Six months ended 30th June,		Change
	2011 RMB million	2010 RMB million	
Turnover	4,992.6	4,555.5	9.6%
Gross Profit	890.8	848.5	5.0%
Profit for the period	18.6	343.4	-94.6%
Profit for the period, adjusted ^{Note (1)}	18.6	24.0	-22.5%
EBITDA	190.5	632.6	-69.9%
EBITDA, adjusted ^{Note (2)}	190.5	221.0	-13.8%

Highlights

1. Revenue increased 9.6% to RMB4,992.6 million.
2. Gross profit margin dropped slightly by 0.8% to 17.8%.
3. Opened 2 new stores during the Period under review.
4. Profit before effect of convertible bonds and income tax decreased by approximately RMB7.2 million primarily as a result of the PRC government's policy to raise minimum wage which accounted for approximately RMB13.6 million of the increase in personnel expenses.
5. Plan to open a further 2 to 3 stores by end of 2011.



Notes:

- (1) Adjusted by excluding the gain on redemption of convertible bonds of RMB411.6 million and the interest on convertible bonds of RMB92.2 million in 2010.
- (2) Adjusted by excluding the gain on redemption of convertible bonds of RMB411.6 million in 2010.

Management's Discussion and Analysis

As at the date of this report, C.P. Lotus Corporation (the "Company") and its subsidiaries (collectively the "Group") operates a total of 47 Lotus stores in China, of which 22 are located in the East coastal (20 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) of China. We opened 2 new stores during the six months ended 30th June, 2011 (the "Period") under review.

FINANCIAL REVIEW

The Group recorded net profit attributable to shareholders for the Period of RMB18.6 million (2010: profit of RMB343.4 million or RMB24.0 million excluding the convertible bonds interest and the gain on redemption of the convertible bonds).

Turnover increased by RMB437.1 million or 9.6% to RMB4,992.6 million. The increase was due to the opening of 2 new stores during the Period under review, general price hike and more marketing initiatives to attract customers and boost sales together with better merchandise mix on offer. Same store sales growth of approximately 4.0% was recorded during the Period.

Gross profit margin was 17.8% of sales (2010: 18.6%). Gross profit margin is comprised of front and back margin. Front margin is sales minus direct cost of sales; back margin represents income from suppliers such as discount and allowances, entry fee and promotional fee etc. During the Period under review, back margin decreased from 8.7% to 8.0% primarily a result of drop in both display fee and entry fee. In order to further strengthening relationship with our suppliers, we will work closely with our suppliers to receive a higher rebate on the sales volume by driving higher sales while lowering other forms of rebates and allowances received from them. The slight drop in front margin from 9.9% to 9.8% was due to more price cutting promotion to boost sales and reduce inventory level.

Other revenue comprised mainly leasing income which is income received from leasing of store space. It increased by RMB15.4 million to RMB136.3 million, or 2.7% of sales as a result of higher rental charged as we continued to renovate our stores and attract bigger name tenants.

Distribution and store operating costs was 16.4% of sales (2010: 16.4%). It comprised mainly stores rental, personnel expenses, utilities expenses and depreciation & amortization charges of approximately 4.7%, 5.1%, 1.6% and 1.8% of sales respectively. Personnel expenses increased by approximately RMB44.4 million to RMB256.1 million primarily a result of government's policy to increase the minimum wage nationwide, and the general rise in salary and corresponding social welfare contributions in line with China's CPI growth accounted for approximately RMB13.6 million and RMB30.8 million of the increase respectively. We will continue to adopt more cost effective measures to keep our overall operating costs down.

Administrative expenses of RMB181.2 million mainly included personnel expenses of RMB113.9 million, depreciation & amortization charges of RMB9.1 million, professional fee of RMB8.6 million and rental expenses of RMB8.3 million. Personnel expenses increased by RMB18.1 million primarily as a result of the general rise in salary and increase in number of employees in Shanghai headquarter for new projects development during the Period under review. The Group will continue its efforts to streamline the organization structure of our PRC regional offices and adopt more cost cutting measures and improve efficiency to become more competitive.

Management's Discussion and Analysis

FINANCIAL REVIEW (Continued)

Interest on convertible bonds – the convertible bonds were fully redeemed and cancelled on 30th June, 2010, there was no more interest on convertible bonds for the Period. For the corresponding period in 2010, such interest amounted to approximately RMB92.2 million of which RMB6.7 million representing 1% coupon interest and RMB85.5 million representing additional non-cash interest element arising from the re-measurement of the liability component of the convertible bonds using effective interest rate method.

Financial Costs – other finance cost was RMB73.7 million or 1.5% of sales (2010: 1.9%). The significant decrease was due to the repayment of bank loans and other loans during the Period under review.

Capital Structure

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

Liquidity and Finance Resources

As at the end of the Period, the net current liabilities of the Group increased to RMB1,906.5 million (year end 2010: RMB1,820.0 million) mainly due to the partial repayment of the long term syndicated bank loan. Net assets had been increased by approximately RMB40.5 million to RMB1,317.7 million (year ended 2010: RMB1,277.2 million) was mainly due to the profit for the Period and increase in the exchange reserve.

As at 30th June, 2011, the Group had long-term bank loans repayable within 1 year of RMB180.0 million (31st December, 2010: RMB145.7 million). The Group had unsecured other loans of RMB153.2 million (year ended 2010: RMB242.3 million) of which RMB97.0 (year end 2010: RMB185.1 million) were advanced from related companies. All of these unsecured other loans as at the Period end and year ended 2010 were repayable within 1 year. The Group had cash and cash equivalents amounting to RMB151.7 million, representing a 0.53 time of the balance as at the end of 2010.

Gearing and Current Ratios

As at 30th June, 2011, the gearing ratio of the Group stood at 1.22 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (year ended 2010: 1.41) and current ratio of the Group was 0.44 (year ended 2010: 0.51).

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 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.

Management's Discussion and Analysis

FINANCIAL REVIEW (Continued)

Employees, Training and Remuneration Policy

The Group employed approximately 13,500 employees as at 30th June, 2011, of which approximately 1,500 were head office staff and approximately 12,000 were store employees. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, subsidized training programmes as well as share option scheme for senior management.

BUSINESS REVIEW

During the Period under review, the Group opened a new hypermarket store with a sales floor and lease area of approximately 5,300 sqm and 2,300 sqm respectively in Guangdong in January 2011; and a new supermarket located on Madang Lu, Shanghai in May 2011 with a sales area of approximately 1,500 sqm.

The Group continued its efforts on its TOP strategy to achieve sustainable growth.

Transform touch points to earn customers' lifetime loyalty

We continued the store renovation and upgrading project. During the Period under review, we completed the renovation of a further 4 stores to lifestyle concept store providing our customers with more varieties, upgraded one-stop shopping environment. As of this date, 34 of the 47 stores are operated in this lifestyle model.

We collaborate with Mega Cinema to provide new entertainment enjoyment to our customers by opening new cinema in our store leasing area. The first one, with approximately 1,000 seats, will be opened in our Xian Tangyan Lu store in September 2011.

Excel in integrated Operations with service excellence

We continued our ABC merchandise project which was launched last year. The plan is to increase class A products which are fast moving items to 60% of total assortment, generating 80% of revenue and reduce class C products to 10%. We continued to review our merchandise mix regularly to ensure below-par performance products were removed and replaced by newer and more popular products.

We continued to work closely with our suppliers and have selected 12 strategic partners including industry big names and renowned brands to develop joint business plan in order to drive sales, improve customer shopping experience through product innovation, co-brand marketing activity and customer centricity. We are also able to help our suppliers to reduce cost and ensure product quality through our supply chain network. Cooperation with the 12 strategic partners will be rolled out to nationwide stores and we will expand the strategic partnership to work with more suppliers.

Various marketing activities were held in order to boost sales and promote brand awareness. Leveraging on the 2011 International Horticulture Expo opportunity in Xian, we held the Kids Painting Horticulture Expo activity to attract customers and strengthen our brand. Sales rose almost 40% during the activity period. We also sponsored the Guangzhou International Dragon Boat Tournament and had our Lotus displayed on the dragon boats and booth set up to market our products. Sales rose over 10% as a result.

We launched a new in-store radio system, with beautiful music as backdrop to create a pleasant and enjoyable shopping environment; product information are also disseminated through the system leading to more purchases. This new system enables maximum use of store advertising resources and brings in more revenue. The project was first piloted our stores in Shanghai and will be rolled out to all Lotus stores by end of this year.

Management's Discussion and Analysis

BUSINESS REVIEW (Continued)

Excel in integrated Operations with service excellence (Continued)

We continued our commitment to Total Quality Management to achieve operational excellence. Currently nine of our stores and our Shanghai fresh and dry distribution centres are ISO 9001 certified. We will continue to work on improving and implementing our TQM principles and aim to achieve ISO 9001 certified for all our stores by 2012.

Develop People with Win-win growth

During the Period under review, we continued our efforts to improve the qualification of our employee, a total of 157 employees were recruited from the Charoen Pokphand Corporate University and 7 MBA graduates from leading local business schools.

Training and development remains our strategic priorities in attracting, developing and retaining a knowledgeable and skilled workforce. The Lotus training framework and classroom training courses – “the handbook” was launched in April 2011 which helps our managers and employees decide whether they have the correct knowledge, skills, understanding and resources to carry out their job effectively.

We also continued to reinforce the performance management processes with focus on developing the key performance indicators (“KPIs”) for all functions and the Group launched the 2011 performance based bonus programs in reflecting the functional KPIs and corporate metrics.

LOOKING AHEAD

We have noticed the current unsettling events surrounding the world economy and the growing concerns that the global economy is weakening. We believe the Chinese economy remains fundamentally sound and will continue its growth momentum despite the uncertainties in other economies. We plan to open a further 2 to 3 new stores before the end of the year. With the right strategies and commitment to improve, we believe we are ready and prepared to brace for any challenges.

Unaudited Consolidated Results

The board of directors (the "Directors") of the Company announces the unaudited condensed consolidated statement of comprehensive income of the Group for the Period together with the comparative figures in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30th June,	
		2011 RMB'000	2010 RMB'000 (Restated)
Turnover	2	4,992,593	4,555,467
Cost of sales		(4,101,778)	(3,707,009)
Gross profit		890,815	848,458
Other revenue	4	188,451	168,028
Other net income	4	12,682	4,347
Distribution and store operating costs		(817,968)	(748,401)
Administrative expenses		(181,223)	(157,488)
Profit from operation	5	92,757	114,944
Finance costs – interests on loans and other finance costs		(73,740)	(88,750)
Profit before interest on convertible bonds and gain on redemption		19,017	26,194
Interest on convertible bonds	6	–	(92,156)
Gain on redemption of convertible bonds	7	–	411,607
Gain on redemption of convertible bonds net of interest on convertible bonds		–	319,451
Profit before taxation		19,017	345,645
Income tax	8	(432)	(2,268)
Profit for the period		18,585	343,377
Other comprehensive income			
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")		21,351	16,860
Cash flow hedge: net movement in fair value reserve		518	–
		21,869	16,860
Total comprehensive income for the period		40,454	360,237
Profit for the period attributable to:			
Equity shareholders of the Company		18,585	343,377
Non-controlling interests		–	–
		18,585	343,377
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		40,454	360,237
Non-controlling interests		–	–
		40,454	360,237
Earnings per share	10		
– Basic		0.13 RMB cent	3.20 RMB cents
– Diluted		0.12 RMB cent	0.15 RMB cent

Unaudited Consolidated Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		1,526,030	1,523,361
– Interests in leasehold land held for own use under operating leases		163,681	166,827
		1,689,711	1,690,188
Intangible assets		206,440	211,795
Goodwill		2,719,785	2,719,785
Prepaid lease payments for premises		5,048	8,089
Other long-term prepayments		4,639	5,549
Deferred tax assets		104,940	106,596
		4,730,563	4,742,002
Current assets			
Prepaid lease payments for premises		4,388	4,584
Inventories		683,964	826,699
Trade and other receivables	11	576,114	692,159
Pledged and restricted bank deposits		99,932	96,061
Cash and cash equivalents		151,670	288,422
		1,516,068	1,907,925
Current liabilities			
Trade and other payables	12	3,083,701	3,317,498
Long-term bank loans due within 1 year	13	179,990	145,693
Other loans	14	153,178	242,287
Obligations under finance leases		5,150	5,150
Current taxation		–	16,705
Provisions		552	551
		3,422,571	3,727,884
Net current liabilities		(1,906,503)	(1,819,959)
Total assets less current liabilities		2,824,060	2,922,043
Non-current liabilities			
Long-term bank loans due over 1 year	13	1,275,562	1,410,024
Obligations under finance leases		190,717	193,159
Deferred tax liabilities		40,129	41,662
		1,506,408	1,644,845
NET ASSETS		1,317,652	1,277,198
CAPITAL AND RESERVES			
Share capital		280,585	280,585
Reserves		1,035,067	994,613
Total equity attributable to equity shareholders of the Company		1,315,652	1,275,198
Non-controlling interests		2,000	2,000
TOTAL EQUITY		1,317,652	1,277,198

Unaudited Consolidated Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to equity shareholders of the Company											
	Share capital RMB'000	Share premium RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Re-organisation reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Convertible bonds reserve RMB'000	Retained earnings/ (Accumulated loss) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1st January, 2011	280,585	741,430	(9,166)	53,841	-	196,511	(6,734)	-	18,731	1,275,198	2,000	1,277,198
Profit for the Period	-	-	-	-	-	-	-	-	18,585	18,585	-	18,585
Other comprehensive income	-	-	-	-	-	21,351	518	-	-	21,869	-	21,869
Total comprehensive income for the Period	-	-	-	-	-	21,351	518	-	18,585	40,454	-	40,454
At 30th June, 2011	280,585	741,430	(9,166)	53,841	-	217,862	(6,216)	-	37,316	1,315,652	2,000	1,317,652
At 1st 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 period	-	-	-	-	-	-	-	-	343,377	343,377	-	343,377
Other comprehensive income	-	-	-	-	-	16,860	-	-	-	16,860	-	16,860
Total comprehensive income for the period	-	-	-	-	-	16,860	-	-	343,377	360,237	-	360,237
Issue of new convertible preference shares to redeem convertible bonds	67,995	686,235	-	-	-	-	-	(264,539)	264,539	754,230	-	754,230
At 30th June, 2010	280,585	2,008,111	(9,166)	53,841	113,573	169,852	-	-	(1,367,468)	1,249,328	-	1,249,328

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30th June,	
	2011 RMB'000	2010 RMB'000 (Restated)
Net cash generated from operating activities	197,661	104,052
Net cash used in investing activities	(102,844)	(68,534)
Net cash (used in)/generated from financing activities	(234,590)	46,296
Net (decrease)/increase in cash and cash equivalents	(139,773)	81,814
Effect of foreign exchange rate changes	3,021	(155)
Cash and cash equivalents at 1st January	288,422	315,860
Cash and cash equivalents at 30th June	151,670	397,519

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

The interim financial statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the 2010 annual financial statements.

The accounting policies used in the condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31st December, 2010.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of this interim financial report.

2. TURNOVER

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

	Unaudited Six months ended 30th June,	
	2011 RMB’000	2010 RMB’000 (Restated)
Sales of goods	<u>4,992,593</u>	<u>4,555,467</u>

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. 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.

4. Other Revenue and Other Net Income

	Unaudited	
	Six months ended 30th June,	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Other revenue		
Leasing income of store premises	136,339	120,957
Other promotion and services income	37,881	39,279
Interest income	3,223	4,269
Subsidy income	11,008	1,762
Procurement service fee	–	1,761
	188,451	168,028
Other net income		
Foreign exchange gain	7,877	1,995
Net income from store lease cancellations	5,978	3,531
Loss on disposal of fixed assets	(1,173)	(1,179)
	12,682	4,347

5. Depreciation and Amortization

During the Period, depreciation of RMB89.2 million (2010: RMB97.9 million) in respect of the Group's property, plant and equipment, amortization of RMB3.1 million (2010: RMB2.8 million) in respect of interests in leasehold land held for own use under operating leases of the Group and amortization of RMB5.4 million (2010: RMB5.4 million) in respect of the Group's intangible assets were charged.

6. Interest on Convertible Bonds

Interest on convertible bonds of RMB92.2 million for the six months ended 30th June, 2010 consisted of RMB6.7 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and RMB85.5 million representing additional non-cash interest element arising from the remeasurement of the liability component of the convertible bonds using the effective interest rate method. As the convertible bonds have been fully redeemed on 30th June, 2010, no more interest on convertible bonds has been accrued from 30th June, 2010 onwards.

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Gain on Redemption of Convertible Bonds

The convertible bonds have been redeemed and cancelled on 30th June, 2010. As a result of the completion, the Company recorded a gain on redemption of convertible bonds of RMB411.6 million. The consideration for the redemption was paid by issuance of 3,897,110,334 new convertible preference shares ("New CPS") at issuance price of HK\$0.39 per share. The redemption gain was arrived by comparing the fair value of the New CPS issued and the carrying value of the convertible bonds liability component as at the date of redemption.

8. Income Tax

	Unaudited	
	Six months ended 30th June,	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Current tax – PRC		
Provision for the period	309	1,316
Deferred tax		
Origination of temporary differences	123	952
Taxation charge	432	2,268

No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the Period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9. Dividend

The Directors do not recommend the payment of any dividend in respect of the Period (2010: Nil).

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Earnings Per Share

(a) *Basic*

The calculation of the basic earnings per share is based on the net profit attributable to equity shareholders of the Company for the Period of RMB18.6 million (2010: RMB343.4 million) and on the 9,184,414,410 weighted average number of ordinary shares, 1,518,807,075 weighted average number of convertible preference shares and 3,897,110,334 weighted average number of new convertible preference shares (2010: 9,184,414,410 weighted average number of ordinary shares, 1,518,807,075 weighted average number of convertible preference shares and 21,530,996 weighted average number of new convertible preference shares) in issue during the Period.

(b) *Diluted*

For the period ended 30th June, 2011, the calculation of diluted earnings per share was based on the net profit attributable to equity shareholders of the Company of RMB18.6 million, and on the 9,184,414,410 weighted average number of ordinary shares, 1,518,807,075 weighted average number of convertible preference shares and 3,897,110,334 weighted average number of new convertible preference shares in issue during the Period, as used in basic earnings per share calculation, plus the weighted average potential ordinary shares of 1,068,060,207 shares assume to have been issued at nil consideration on the deemed exercise of all share options outstanding during the Period.

For the period ended 30th June, 2010, the calculation of diluted earnings per share was based on the adjusted net profit of RMB24.0 million (representing the net profit attributable to equity shareholders of the Company for the period of RMB343.4 million, excluding interest on convertible bonds of RMB92.2 million and gain on redemption of convertible bonds of RMB411.6 million), and on the 9,184,414,410 weighted average number of ordinary shares, 1,518,807,075 weighted average number of convertible preference shares and 21,530,996 weighted average number of new convertible preference shares in issue during the period, as used in basic earnings per share calculation, plus the weighted average potential ordinary shares of 953,273,455 shares assume to be issued at nil consideration and 3,875,579,338 shares on the deemed exercise of all share options and convertible bonds outstanding during the period respectively. The diluted earnings per share for the period ended 30th June, 2010 has been restated by adopting the same method of the current Period.

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Trade and Other Receivables

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Trade receivables, other receivables and deposits	228,162	199,385
Amounts due from related companies	347,952	492,774
	576,114	692,159

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) of approximately RMB25.5 million (2010: approximately RMB24.8 million) with the following ageing analysis:

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Current to 30 days overdue	20,462	22,945
31 to 60 days overdue	3,441	849
61 to 90 days overdue	1,386	48
Over 90 days	254	994
	25,543	24,836

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Trade and Other Payables

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Notes payable	90,817	81,850
Creditors and accrued charges	2,762,586	3,091,134
Amounts due to related companies	224,082	137,780
Derivative cash flow hedging	6,216	6,734
	3,083,701	3,317,498

Included in trade and other payables are trade creditors and notes payable of approximately RMB2,130.4 million (2010: approximately RMB2,375.7 million) with the following ageing analysis:

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Within 30 days of invoice date	2,081,300	2,347,099
31 to 60 days after invoice date	33,149	23,964
61 to 90 days after invoice date	8,239	821
More than 90 days after invoice date	7,694	3,854
	2,130,382	2,375,738

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-Term Bank Loans

The Group had entered into a 6-year long-term loan facility of USD250 million extended by a Thai syndicate. Full amount of USD250 million had been drawn down during the year ended 2010 to refinance other short term bank loans and other loans.

All the Group's bank loans as at 30th June, 2011 and 31st December, 2010 were repayable as follows:

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Within 1 year	179,990	145,693
More than 1 year but within 2 years	238,459	220,814
More than 2 years but within 5 years	1,037,103	1,189,210
More than 5 years	–	–
	1,275,562	1,410,024
	1,455,552	1,555,717

The Group's bank loans are secured as follows:

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Secured bank loans		
– Secured by assets held by the Group (<i>note</i>)	1,455,552	1,555,717

Note:

As at 30th June, 2011, the Group has drawn down floating rate bank loans under the facility agreements of RMB285.3 million (2010: RMB302.5 million) and USD180.5 million (2010: USD188.9 million), equivalent to RMB1,170.3 million (2010: RMB1,253.2 million), totaling RMB1,455.6 million (2010: RMB1,555.7 million), bearing interest at over five years' People's Bank of China lending rate multiplied by 1.275 per annum and three-month London Interbank Offered Rate 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.

Unaudited Consolidated Results

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Other Loans

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Loans from third parties (<i>note (i)</i>)	56,178	57,185
Loans from related companies (<i>note (ii)</i>)	97,000	185,102
	153,178	242,287
Repayable within 1 year	153,178	242,287

Notes:

- (i) As at 30th June, 2011, loans of RMB56.2 million (2010: RMB57.2 million) borrowed from independent third parties are unsecured and bearing interest range from 1.746% to 5.31% per annum (2010: 1.876% to 5.31% per annum).
- (ii) As at 30th June, 2011, the Group has drawn down loans of RMB97.0 million (2010: RMB185.1 million) from related parties, being other entities related to the Group's ultimate holding company. These loans are unsecured and bearing fixed interest at 6.31% to 6.402% per annum (2010: 5.982% to 6.25% per annum).

15. Capital Commitments

Capital commitments outstanding at 30th June, 2011 not provided for in the financial statements were as follows:

	THE GROUP	
	Unaudited 30th June, 2011 RMB'000	Audited 31st December, 2010 RMB'000
Capital Commitments:		
– Contracted for	42,626	54,737
– Authorized but not contracted for	28,977	29,008
	71,603	83,745

16. Comparative figures

In accordance with the change in presentation currency from HK\$ to RMB during 2010, the comparative figures have been restated in RMB.

In addition, certain comparative figures were reclassified to conform with the current Period presentation.

Disclosure of Interests

Disclosure Pursuant to Rule 13.18 of the Listing Rules

On 28th December, 2009, 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 US\$145 million which will expire on 31st December, 2015.

Pursuant to the 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 to become immediately due and payable.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 30th June, 2011, the interests and short positions of the directors and chief executive's 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 directors	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	1,000,000	0.01%
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%

Disclosure of Interests

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 31st May, 2002 (the "Scheme"), the Company had on 6th June, 2002, 10th November, 2003 and 24th 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:

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2011
				As at 1st January, 2011	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Soopakij Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Narong Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Meth Jiaravanont	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Yang Xiaoping	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Umroong Sanphasitvong	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144

Disclosure of Interests

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)

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2011
				As at 1st January, 2011	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Robert Ping-Hsien Ho	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Suphachai Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Total:				<u>1,139,356,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139,356,736</u>

Save as disclosed above, as at 30th June, 2011, 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.

Disclosure of Interests

Persons who have an Interest or Short Positions which is discloseable under the SFO and Substantial Shareholders

As at 30th June, 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the 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 30th June, 2011.
- (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 30th June, 2011.

Disclosure of Interests

Share Option Scheme

Details of the Directors' interest in the Scheme are set out 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.

Outstanding Share Options

During the Period, options to subscribe for an aggregate of 1,798,984,320 shares (which include the options granted to certain directors as disclosed above) of the Company granted pursuant to the Scheme were outstanding. Details are as follows:

Category of Participant	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2011
				As at 1st January, 2011	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Directors	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	359,796,864	-	-	-	-	359,796,864
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	359,796,864	-	-	-	-	359,796,864
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	419,763,008	-	-	-	-	419,763,008
Total for Directors:				1,139,356,736	-	-	-	-	1,139,356,736
Eligible Persons	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	239,864,576	-	-	-	-	239,864,576
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	239,864,576	-	-	-	-	239,864,576
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	179,898,432	-	-	-	-	179,898,432
Total for Eligible Persons:				659,627,584	-	-	-	-	659,627,584
Total:				1,798,984,320	-	-	-	-	1,798,984,320

Arrangement to Purchase Shares or Debentures

Save as disclosed in "Share Option Scheme" above, at no time during the Period 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.

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 Period or at any time during the Period.

Corporate Governance

Code on Corporate Governance Practices

The Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Period except that the Chairman did not attend the annual general meeting held on 15th June, 2011 due to other important business engagement which deviated from code provision E.1.2.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the required standards as set out in the Model Code for the six months ended 30th June, 2011.

Audit Committee

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

By Order of the Board
Soopakij Chearavaront
Director

Hong Kong, 26th August, 2011

As at the date of this report, the board of directors comprises twelve executive directors, namely, 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 and Mr. Shih Hong-Mo and three independent non-executive directors, namely, Mr. Viroj Sangsnit, Mr. Chokchai Kotikula and Mr. Cheng Yuk Wo.

Corporate Information

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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Central
Hong Kong

Principal Bankers

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Siam City Bank Public Company Limited
Bank of America, N.A.

Legal Advisors

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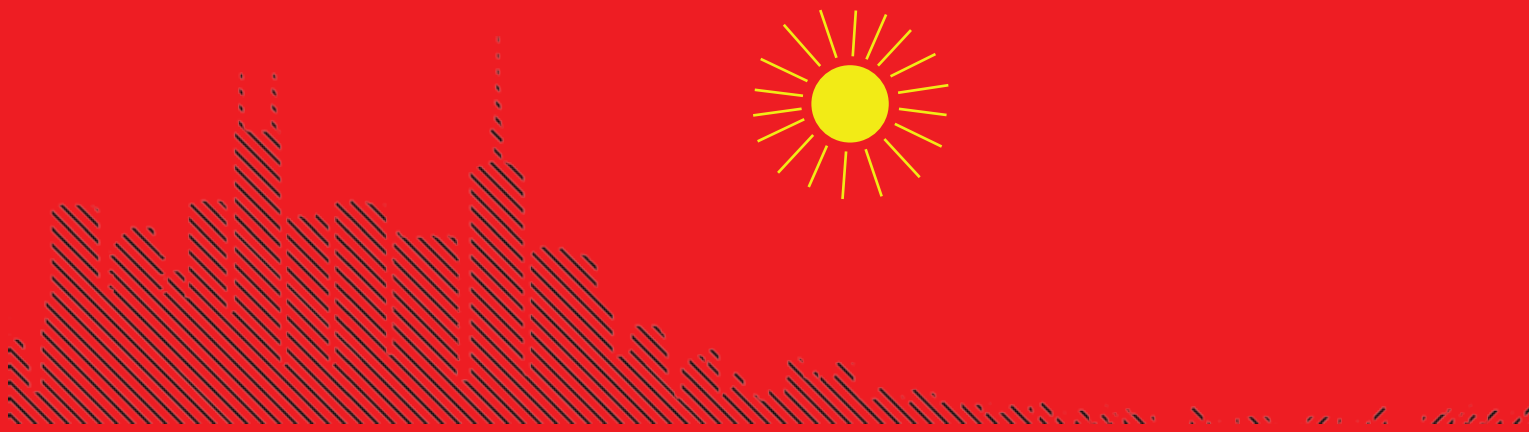
Cayman Islands
Maples Corporate Services Limited
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Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 00121

Company Website

<http://www.cplotuscorp.hk>



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