

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



C.P. Lotus Corporation

卜蜂蓮花有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00121)

CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

On 4 November 2016, the Master HOEL-CCT Purchase Agreement was entered into between the Company and HOEL, pursuant to which C.P. Lotus Group shall purchase the Relevant Products from the HOEL Group.

LISTING RULES IMPLICATIONS

As the proposed annual caps and some of the applicable percentage ratios of the Continuing Connected Transactions are more than HK\$10,000,000 and more than 5% respectively, such transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been constituted to advise the Independent Shareholders in connection with the terms of the Master HOEL-CCT Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps).

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and Independent Shareholders in relation thereto.

A circular containing, among other things, (i) further information on the Continuing Connected Transactions (including the proposed annual caps); (ii) a letter from the Independent Financial Adviser; (iii) the recommendation of the Independent Board Committee; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 25 November 2016.

CONTINUING CONNECTED TRANSACTIONS

Background

Reference is made to the 2013 Announcement and the 2013 Circular with respect to, among other things, the 2014 Purchase Agreement, which was entered into by the Company with HOEL, pursuant to which the C.P. Lotus Group would purchase the Relevant Products from HOEL or its related entities.

As the 2014 Purchase Agreement will expire on 31 December 2016 and the Company intends to continue the transactions contemplated thereunder, on 4 November 2016, the Company (as purchaser) entered into the Master HOEL-CCT Purchase Agreement with HOEL (as supplier).

Master HOEL-CCT Purchase Agreement

(a) **Subject matter**

Purchase by any member of the C.P. Lotus Group of the Relevant Products.

(b) **Term**

The Master HOEL-CCT Purchase Agreement shall take effect from 1 January 2017, and shall continue in force until 31 December 2019.

(c) **Pricing policy and payment terms**

Prices of the Relevant Products are determined through arm's length commercial negotiation by reference to the principles of fairness and reasonableness between the parties with reference to the market prices of such Relevant Products from time to time. The prices of the Relevant Products to be purchased by the C.P. Lotus Group from the HOEL Group will not be less favourable to the C.P. Lotus Group than those available from independent third parties in similar transactions. The price determination procedures vary depending on the types of the Relevant Products. In relation to products with no brand, the C.P. Lotus Group regularly receives tenders or quotes from suppliers including the HOEL Group. C.P. Lotus Group would compare the tenders or quotes from different suppliers including the HOEL Group and at least three or four other independent third party suppliers for the same volume of the same or similar products of comparable standards and make the purchase decision based on such comparison. This process will ensure that, where the supplier chosen is a member of the HOEL Group, the price paid by the C.P. Lotus Group for the same volume of the same or similar products offered by the HOEL Group will not be higher than those offered by independent third party suppliers. In relation to branded products which are under the brand name of "CP" distributed by the HOEL Group, the C.P. Lotus Group will satisfy itself that the prices payable by the C.P. Lotus Group are not less favourable than the prices that the HOEL Group does not offer to its other purchasers.

Payment is generally subject to credit term of up to 60 days from delivery, or other generally accepted market terms from time to time.

(d) **Annual caps and historical figures**

Historical figures	The historical amounts paid by the C.P. Lotus Group under the 2014 Purchase Agreement for the financial years ended 31 December 2014, 31 December 2015 and the six months ended 30 June 2016 were RMB146.9 million, RMB97.1 million and RMB37.4 million respectively, representing approximately 1.6%, 1.1% and 0.9% of the total merchandise purchased by the C.P. Lotus Group during the same periods
Annual caps	The proposed annual caps for the three financial years ending 31 December 2019 are RMB119.2 million, RMB134.7 million and RMB152.2 million respectively
Basis for determination of the annual caps	<ol style="list-style-type: none">(1) by reference to the value of the historical purchases made by the C.P. Lotus Group under the 2014 Purchase Agreement;(2) the projected price increases in the Relevant Products taking into account the increase in consumer prices in the PRC with reference to the market forecast CPI of approximately 2% per annum for each of the financial years ending 31 December 2017, 2018 and 2019 respectively; and(3) the projected business growth of the C.P. Lotus Group of 6% to 7% per annum due to the planned opening of six to eight stores in each of the financial years ending 31 December 2017, 2018 and 2019 respectively and the projected same store sales growth contributed by the projected increase in the sales of fresh food product.

INFORMATION ON PARTIES

The Company is an investment holding company whose subsidiaries are principally engaged in the operation of large-scale hypermarket stores in the PRC.

HOEL is an investment holding company and is indirectly wholly-owned by CPG.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The C.P. Lotus Group has been sourcing merchandise under the 2014 Purchase Agreement from the related entities of HOEL. Due to this long term business relationship, these associates of HOEL have been able to provide steady supplies of the Relevant Products to the C.P. Lotus Group in an efficient manner and on terms no less favourable than those offered by other suppliers to the C.P. Lotus Group. Accordingly, the Directors consider that it is beneficial to the C.P. Lotus Group to continue to enjoy a reliable source of merchandise. Products sourced under the 2014 Purchase Agreement represented approximately 0.9% of the total merchandise purchased by the C.P. Lotus Group for the six months ended 30 June 2016. By entering into the Master HOEL-CCT Purchase Agreement with HOEL, the C.P. Lotus Group will have the ability to continue to purchase from the HOEL Group where circumstances are appropriate.

Opinion of the Directors

In view of the above, the Directors (excluding the independent non-executive Directors whose opinion will be given after taking into account the advice of the Independent Financial Adviser to be set out in the circular and the three executive Directors who the Board considered to have a material interest in the Continuing Connected Transactions for the reason mentioned below) consider that the terms of the Master HOEL-CCT Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Soopakij Chearavanont (executive Director and Chairman of the Company), Mr. Narong Chearavanont (executive Director and Vice Chairman of the Company) and Mr. Umroong Sanphasitvong (executive Director) have directorship in the intermediate holding company of HOEL, the Board considered that each of Messrs. Soopakij Chearavanont, Narong Chearavanont and Umroong Sanphasitvong had a material interest in the Continuing Connected Transactions, and accordingly each of Messrs. Soopakij Chearavanont, Narong Chearavanont and Umroong Sanphasitvong was required to abstain from voting on the Board resolution for considering and approving the Continuing Connected Transactions (including the proposed annual caps). Except Messrs. Soopakij Chearavanont, Narong Chearavanont and Umroong Sanphasitvong, none of the Directors has a material interest in the Continuing Connected Transactions, and accordingly none of them was required to abstain from voting on the Board resolution for considering and approving the Continuing Connected Transactions (including the proposed annual caps).

LISTING RULES IMPLICATIONS

As at the date of this announcement, CPG is interested in approximately 64.93% of the Ordinary Shares in issue, and is therefore the controlling shareholder of the Company.

As HOEL is an indirect wholly-owned subsidiary of CPG, companies in the HOEL Group are connected persons of the Company for the purposes of Chapter 14A of the Listing Rules.

In view of the above, the transactions contemplated under the Master HOEL-CCT Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the proposed annual caps and some of the applicable percentage ratios of the Continuing Connected Transactions are more than HK\$10,000,000 and more than 5% respectively, such transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been constituted to advise the Independent Shareholders in connection with the terms of the Master HOEL-CCT Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation thereto.

A circular containing, among other things, (i) further information on the Continuing Connected Transactions (including the proposed annual caps); (ii) a letter from the Independent Financial Adviser; (iii) the recommendation of the Independent Board Committee; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 25 November 2016. CPG and its associates will abstain from voting at the EGM in respect of the resolution in relation to the Continuing Connected Transactions (including the proposed annual caps).

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“2013 Announcement”	the announcement issued by the Company dated 25 November 2013
“2013 Circular”	the circular issued by the Company dated 5 December 2013
“2014 Purchase Agreement”	the purchase agreement dated 25 November 2013 entered into between the Company and HOEL for the purchase of the Relevant Products by the C.P. Lotus Group from HOEL or its related entities on an ongoing basis
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“C.P. Lotus Group”	C.P. Lotus and its subsidiaries
“Company” or “C.P. Lotus”	C.P. Lotus Corporation (卜蜂蓮花有限公司), a company incorporated in the Cayman Islands, the Ordinary Shares of which are listed and traded on the Main Board of the Stock Exchange
“Continuing Connected Transactions”	continuing connected transactions contemplated under the Master HOEL-CCT Purchase Agreement

“CPG”	Charoen Pokphand Group Company Limited, a company duly organized and existing under the laws of the Kingdom of Thailand which through its wholly-owned subsidiaries, is interested in approximately 64.93% of the Ordinary Shares in issue and 100% of the equity capital of HOEL as at the date of this announcement
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Continuing Connected Transactions (including the proposed annual caps) and the Master HOEL-CCT Purchase Agreement
“HOEL”	High Orient Enterprises Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of CPG
“HOEL Group”	HOEL and its associates
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, being Messrs. Viroj Sangsrit, Songkitti Jaggabatara, Itthaporn Subhawong, Prasobsook Boondech and Cheng Yuk Wo, which has been established to advise the Independent Shareholders in respect of the the terms of the Master HOEL-CCT Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps)
“Independent Financial Adviser”	BOSC International Company Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Master HOEL-CCT Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps)
“Independent Shareholders”	Shareholders other than CPG and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master HOEL-CCT Purchase Agreement”	the purchase agreement dated 4 November 2016 entered into between the Company and HOEL for the purchase of the Relevant Products by the C.P. Lotus Group from the HOEL Group on an ongoing basis
“Ordinary Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company carrying voting rights at general meetings of the Company
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Products”	packaged food, poultry products, processed meat, edible oil, grains, vegetables, fresh and preserved fruits, groceries and any other merchandise customarily sold in hypermarkets which may be required by any member of the C.P. Lotus Group and which any member of the HOEL Group may be able to supply in circumstances which are of commercial benefit to the C.P. Lotus Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Ordinary Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

By Order of the Board
Umroong Sanphasitvong
Director

Hong Kong, 4 November 2016

As at the date of this announcement, the Board comprises ten executive directors, namely Mr. Soopakij Chearavanont, Mr. Li Wen Hai, Mr. Narong Chearavanont, Mr. Chan Yiu-Cheong, Ed, Mr. Michael Ross, Mr. Yang Xiaoping, Mr. Meth Jiaravanont, Mr. Suphachai Chearavanont, Mr. Umroong Sanphasitvong and Mr. Piyawat Titasattavorakul, and five independent non-executive directors, namely Mr. Viroj Sangsnit, Mr. Songkitti Jaggabatara, Mr. Itthaporn Subhawong, Mr. Prasobsook Boondech and Mr. Cheng Yuk Wo.