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C.P. Lotus Corporation

卜蜂蓮花有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00121)

CONNECTED TRANSACTION

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On 29 September 2017, CPF IT and SAP entered into a group license agreement, pursuant to which SAP granted CPF IT a non-exclusive license for CPF IT and its affiliates to implement and use the SAP system in accordance with a group licensing arrangement at a discounted group rate.

In order that the Group can benefit from the group licensing arrangement, on 29 October 2018, Shanghai Lotus (as licensee) entered into the Software License Agreement with CPF IT (as licensor), pursuant to which CPF IT has (i) irrevocably granted a non-transferable perpetual license to the SAP User Group for up to 950 users to use the SAP system, and (ii) agreed to provide maintenance services (including regular updates of the SAP system) to the SAP User Group during the Agreed Period.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CPG is interested in approximately 64.93% and 49.11% of the Ordinary Shares and the issued share capital of CPF respectively. CPG is the controlling shareholder of the Company and accordingly, CPF IT as an associate of CPG is a connected person of the Company. The Software License Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%, the Connected Transaction is subject to reporting and announcement requirements but is exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Software License Agreement

(a) Date

29 October 2018

(b) Parties

(i) CPF IT (as licensor)

(ii) Shanghai Lotus (as licensee)

(c) Subject matter

CPF IT has irrevocably granted a non-transferable perpetual license to the SAP User Group for up to 950 users to use the SAP system and agreed to provide maintenance services (including regular updates of the SAP system) to the SAP User Group during the Agreed Period.

(d) License Fee and Maintenance Service Fee

Shanghai Lotus will pay a one-off license fee in the amount of US\$1,327,020.76 to CPF IT.

Shanghai Lotus will also pay maintenance service fee in the amount of US\$89,479.27 in 2018 (for the three months between 1 October 2018 and 31 December 2018), US\$357,917.07 in each of 2019 and 2020 and US\$268,437.80 in 2021 (for the nine months between 1 January 2021 and 30 September 2021).

The license fee and the maintenance service fee were determined after arm's length negotiations between the Group and CPF IT with reference to (i) the prevailing rate SAP charged CPF IT under the group licensing arrangement, (ii) the rates CPF IT charged its other affiliates for the use of the SAP system and the maintenance services by reference to the number of licensed users, and (iii) the fees paid by the Group historically to SAP for the use of the SAP system.

(e) Payment Terms

The license fee will be paid within 30 days from the invoice date and the maintenance service fee will be paid annually in advance in accordance with the invoices to be issued by CPF IT at the beginning of each of 2019, 2020 and 2021.

INFORMATION ON PARTIES

The Company is an investment holding company. The subsidiaries of the Company, including Shanghai Lotus, are principally engaged in the operation of large-scale hypermarket stores in the People's Republic of China.

CPF IT is a direct wholly-owned subsidiary of CPF and is principally engaged in provision of information and technology services.

REASONS FOR THE TRANSACTION

By entering into the Software License Agreement, the Group will benefit from the group licensing arrangement for the implementation of the SAP system at a discounted group rate and receive maintenance services from CPF IT at a lower service fee.

The Directors (including the independent non-executive Directors) are of the view that the Software License Agreement is on normal commercial terms and is entered into in the ordinary and usual course of business of the Group, and that the terms of the Software License Agreement are fair and reasonable, and the Connected Transaction is in the interests of the Company and the Shareholders as a whole.

The Board considered that none of the Directors had any material interest in the Connected Transaction and was required to abstain from voting on the board resolution for approving the Software License Agreement.

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DEFINITIONS

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

“Agreed Period”	the period between 1 October 2018 and 30 September 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Transaction”	the transaction contemplated under the Software License Agreement
“CPF”	Charoen Pokphand Foods Public Company Limited, a company organised and existing under the laws of the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand
“CPF IT”	CPF IT Center Company Limited, a company organised and existing under the laws of the Kingdom of Thailand and a direct wholly-owned subsidiary of CPF

“CPG”	Charoen Pokphand Group Company Limited, a company 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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company
“SAP User Group”	the subsidiaries of the Company
“Shanghai Lotus”	Shanghai Lotus Supermarket Chain Store Co., Ltd. (上海易初蓮花連鎖超市有限公司), a company incorporated in the People’s Republic of China and an indirect wholly-owned subsidiary of the Company
“Shareholders”	holders of the Ordinary Shares from time to time
“Software License Agreement”	the software license agreement dated 29 October 2018 entered into between CPF IT as licensor and Shanghai Lotus as licensee, pursuant to which CPF IT has irrevocably granted a non-transferrable perpetual license to the SAP User Group for up to 950 users to use the SAP system and agreed to provide maintenance services the SAP User Group during the Agreed Period
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“USD”

United States dollars, the lawful currency of the United States of America

By Order of the Board
Umroong Sanphasitvong
Director

Hong Kong, 29 October 2018

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