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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)

(1) CONTINUING CONNECTED TRANSACTIONS AND (2) PROFIT WARNING

1. CONTINUING CONNECTED TRANSACTIONS

Lease Extensions

Reference is made to the announcement of the Company dated 15 December 2017 with respect to, among other things, the 2018 Super Brand Mall Lease Agreement and the 2018 SLS Sub-Lease Agreement. On 27 December 2018:

- (i) SLS entered into the 2019 Super Brand Mall Lease Extension with Shanghai Kinghill, pursuant to which SLS and Shanghai Kinghill agree to extend the term of the lease with respect to the Super Brand Mall Property for one year (subject to early termination by Shanghai Kinghill); and
- (ii) SLS entered into the 2019 SLS Sub-Lease Extension with CTCREM, pursuant to which SLS and CTCREM agree to extend the term of the lease with respect to the Yang Gao Zhong Lu Property for one year.

Listing Rules Implications

As at the date of this announcement, CPG Overseas is interested in approximately 61.61% of the Ordinary Shares in issue, and is therefore a controlling shareholder of the Company.

As each of Shanghai Kinghill and CTCREM is an indirect non wholly-owned subsidiary of CPG Overseas, Shanghai Kinghill and CTCREM are connected persons of the Company under Chapter 14A of the Listing Rules. The Lease Extensions therefore constitute continuing connected transactions 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 Continuing Connected Transactions are subject to reporting and announcement requirements but are exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. PROFIT WARNING

The following disclosure is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions on inside information under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board wishes to inform Shareholders and potential investors that the Group is expected to record a significant loss for the year ending 31 December 2018, as compared to a profit of approximately RMB179.0 million for the corresponding period in 2017.

The expected change from a profit to a loss is attributable to, among other reasons, the recognition of a significant impairment provision in the financial statements for the financial year ending 31 December 2018 of the goodwill which had arisen from the acquisition of SLS in 2008. Such impairment is attributable to the challenging market conditions and the termination of lease caused by the landlord in breach of the lease agreement for one of the stores in Shanghai (against which the Group is seeking compensation).

The Board wishes to emphasize that any such impairment loss will be a non-cash accounting treatment in the financial statements and will have no effect on the Group's daily operations and cashflow. Notwithstanding the expected loss for the year ending 31 December 2018, the Board considers that the Group's overall financial position remains sound.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

1. CONTINUING CONNECTED TRANSACTIONS

Lease Extensions

Reference is made to the announcement of the Company dated 15 December 2017 with respect to, among other things:

- (i) the 2018 Super Brand Mall Lease Agreement entered into between SLS (as lessee) and Shanghai Kinghill (as lessor) in relation to the lease of the Super Brand Mall Property; and
- (ii) the 2018 SLS Sub-Lease Agreement entered into between SLS (as sub-lessor) and CTCREM (as sub-lessee) in relation to the sub-lease of the Yang Gao Zhong Lu Property.

On 27 December 2018, SLS entered into the 2019 Super Brand Mall Lease Extension and the 2019 SLS Sub-Lease Extension with Shanghai Kinghill and CTCREM respectively. The terms of the Lease Extensions are set out below:

2019 Super Brand Mall Lease Extension

(a) **Parties**

- (i) SLS (as the lessee)
- (ii) Shanghai Kinghill (as the lessor)

(b) **Property**

Super Brand Mall Property

(c) **Term**

From 1 January 2019 to 31 December 2019. Shanghai Kinghill may terminate the agreement with a one-month notice.

(d) **Rent**

RMB1.5 million each month (equivalent to RMB18.0 million in aggregate for the financial year ending 31 December 2019).

The rent is payable in arrears on or before the 10th day in the following calendar month upon receipt of invoice from the lessor.

(e) **Annual cap and historical figures**

Historical figures The historical rent payable by SLS under the 2018 Super Brand Mall Lease Agreement was RMB1.5 million each month (equivalent to RMB18.0 million per annum)

Annual cap The proposed annual cap for the financial year ending 31 December 2019 is RMB18.0 million

Basis for determination of the annual cap The annual cap, being the annual rent payable under the 2019 Super Brand Mall Lease Extension, is the same as the annual rent payable by SLS under the 2018 Super Brand Mall Lease Agreement

2019 SLS Sub-Lease Extension

(a) **Parties**

- (i) SLS (as the sub-lessor)
- (ii) CTCREM (as the sub-lessee)

(b) **Property**

Yang Gao Zhong Lu Property

(c) **Term**

From 1 January 2019 to 31 December 2019

(d) **Rent**

RMB583,312 each month (equivalent to RMB6,999,744 in aggregate for the financial year ending 31 December 2019), plus:

- (i) a commission of 5% on the excess of the subletting rental income received by CTCREM over the rent payable to SLS under the 2019 SLS Sub-Lease Extension (if any); and
- (ii) a commission of 15% on the advertising and promotion income received by CTCREM derived from the Yang Gao Zhong Lu Property.

The rent is payable in arrears on or before the 15th day of the following calendar month. The commissions are payable on a quarterly basis on or before the 5th day and the 30th day of the first month immediately following the quarter respectively.

(e) **Annual cap and historical figures**

Historical figures	The historical amounts of rent and commissions received by SLS under the 2018 SLS Sub-Lease Agreement for the six months ended 30 June 2018 were approximately RMB3.7 million in aggregate
Annual cap	The proposed annual cap for the financial year ending 31 December 2019 is RMB8.0 million
Basis for determination of the annual cap	The annual cap was determined by reference to the historical rent and commissions received by SLS under the 2018 SLS Sub-Lease Agreement

Information on Parties

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

SLS is a wholly-owned subsidiary of the Company and the lessee under the 2018 Super Brand Mall Lease Agreement and the 2019 Super Brand Mall Lease Extension and the sub-lessee under the 2018 SLS Sub-Lease Agreement and the 2019 SLS Sub-Lease Extension. SLS is principally engaged in the operation of large-scale hypermarket stores in the eastern region of the PRC.

Shanghai Kinghill, the lessor under the 2018 Super Brand Mall Lease Agreement and the 2019 Super Brand Mall Lease Extension, is principally engaged in property development and

shopping mall operation in the PRC and is the owner of the property in which the Super Brand Mall Property is located.

CTCREM, the sub-lessee under the 2018 SLS Sub-Lease Agreement and the 2019 SLS Sub-Lease Extension, is principally engaged in the leasing and redevelopment of retail stores in the PRC, provision of management consultancy services and sales of goods.

Reasons for the Continuing Connected Transactions

(a) 2019 Super Brand Mall Lease Extension

Super Brand Mall is located in Lujiazui in Pudon Shanghai, and the Lotus store located in Super Brand Mall was the Group's first premier supermarket store in a prime location.

The entry into of the 2019 Super Brand Mall Lease Extension ensures that SLS will continue to operate its store at the same location in Shanghai at a rental level which is no less favorable to SLS than the current market rental levels at comparable retail properties. The 2019 Super Brand Mall Lease Extension is substantially on the same commercial terms as the existing 2018 Super Brand Mall Lease Agreement.

(b) 2019 SLS Sub-Lease Extension

By entering into the 2019 SLS Sub-Lease Extension, SLS can continue to maximize the usage of the premises which SLS had leased from a third party landlord for the principal purpose of its hypermarket store operation. A sub-lessee like CTCREM which is experienced in leasing of retail stores will be able to continue to attract retail store operators to occupy the Yang Gao Zhong Lu Property, thereby increasing the variety of merchandise available in the vicinity of the hypermarket store operated by SLS. The 2019 SLS Sub-Lease Extension is based on the same commercial terms as the 2018 SLS Sub-Lease Agreement. The 2019 SLS Sub-Lease Extension will continue to provide SLS with a steady source of revenue at a rental level which is no less favorable to SLS than the current market rental levels at comparable retail properties, and help to increase visitors to the hypermarket store operated by SLS.

Opinion of the Directors

The Board considered that the following directors had a material interest in the Lease Extensions:

1. Mr. Soopakij Chearavanont (executive Director and Chairman of the Company), Mr. Narong Chearavanont (executive Director and Vice Chairman of the Company) and Mr. Yang Xiaoping (executive Director and Vice Chairman of the Company), in view of their directorships in Shanghai Kinghill and CTCREM; and
2. Mr. Michael Ross (executive Director and Vice Chairman of the Company), in view of his directorship in Shanghai Kinghill.

Accordingly, these Directors had abstained from voting on the relevant board resolutions for considering and approving the respective Lease Extensions. Save as disclosed above, none of the other Directors had any material interest in the Continuing Connected Transactions and was required to abstain from voting on the board resolution for approving the respective Lease Extensions.

In view of the above, the Directors (including the independent non-executive Directors but other than the Directors whom had a material interest in the Continuing Connected Transactions for the reason mentioned above) consider that the Lease Extensions are on normal commercial terms and is entered into in the ordinary and usual course of business of the Company, and that the terms of the Lease Extensions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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The Board wishes to inform the Shareholders and potential investors that, the Group is expected to record a significant loss for the year ending 31 December 2018, as compared to a profit of approximately RMB179.0 million for the corresponding period in 2017.

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The Board wishes to emphasize that any such impairment loss will be a non-cash accounting treatment in the financial statements and will have no effect on the Group's daily operations and cashflow. Notwithstanding the expected loss for the year ending 31 December 2018, the Board considers that the Group's overall financial position remains sound.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“2018 Super Brand Mall Lease Agreement”	the lease agreement dated 15 December 2017 entered into between SLS and Shanghai Kinghill in relation to the Super Brand Mall Property
“2018 SLS Sub-Lease Agreement”	the sub-lease dated 15 December 2017 entered into between SLS and CTCREM in relation to the Yang Gao Zhong Lu Property
“2019 Super Brand Mall Lease Extension”	the supplemental agreement to the 2018 Super Brand Mall Lease Agreement dated 27 December 2018 entered into between SLS and Shanghai Kinghill in relation to the Super Brand Mall Property
“2019 SLS Sub-Lease Extension”	the supplemental agreement to the 2018 SLS Sub-Lease Agreement dated 27 December 2018 entered into between SLS and CTCREM in relation to the Yang Gao Zhong Lu Property
“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
“Continuing Connected Transactions”	the continuing connected transactions under the Lease Extensions
“CPG Overseas”	CPG Overseas Company Limited, a company incorporated in Hong Kong, which is a controlling shareholder of the Company
“CTCREM”	正大商業房地產管理有限公司 (Chia Tai Commercial Real Estate Management Co., Ltd.), a company established in the PRC with limited liability and is an indirect non wholly-owned subsidiary of CPG Overseas
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Lease Extensions”	the 2019 Super Brand Mall Lease Extension and the 2019 SLS Sub-Lease Extension
“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 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Kinghill”	上海帝泰發展有限公司 (Shanghai Kinghill Ltd.), a company established in the PRC and is an indirect non wholly-owned subsidiary of CPG Overseas
“Shareholders”	holders of the Ordinary Shares from time to time
“SLS”	上海易初蓮花連鎖超市有限公司 (Shanghai Lotus Supermarket Chain Store Co., Ltd.), a company established in the PRC and is a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Super Brand Mall Property”	the property with an area of approximately 13,500 square meters and located at Super Brand Mall, No. 168 Lujiazui Xi Road, Pudong New District, Shanghai, the PRC

“Yang Gao Zhong Lu Property”

the property with an area of approximately 6,527 square meters, located at No. 2128 Yang Gao Zhong Lu, Pudong New District, Shanghai, the PRC, being part of the premises which SLS had leased from a third party landlord for the operation of a hypermarket store

By Order of the Board
Umroong Sanphasitvong
Director

Hong Kong, 27 December 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 Sangsnit, Mr. Songkitti Jaggabatara, Mr. Itthaporn Subhawong, Mr. Prasobsook Boondech and Mr. Cheng Yuk Wo.