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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)

CONTINUING CONNECTED TRANSACTION

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The transaction under the Shantou Lease has become a continuing connected transaction of the Company on 5 March 2015.

LISTING RULES IMPLICATIONS

The Shantou Lease was previously entered into by Shantou Lotus with what was then an Independent Third Party. Whilst the terms of the Shantou Lease remain unchanged, the transaction thereunder has become a continuing connected transaction of the Company because of Shanghai Kinghill acquiring 100% equity interest in Shunping Investment on 5 March 2015. Accordingly, the transaction under the Shantou Lease is subject to the reporting and announcement requirements pursuant to Rule 14A.60 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION – THE SHANTOU LEASE

Background

Shantou Lotus entered into the Shantou Lease with Ping An Trust pursuant to which the Property was leased by Ping An Trust to Shantou Lotus for a term commencing from 12 December 2005 to 11 December 2025. The Shantou Lease was subsequently revised and assumed by Shunping Investment as lessor on 1 December 2013. At the time of entering into the Shantou Lease with Ping An Trust, Ping An Trust was an Independent Third Party, and at the time of the assumption by Shunping Investment as lessor, Shunping Investment was also an Independent Third Party as 100% of the equity interest in Shunping Investment was held by Ping An Trust at that time which was not a connected person of the Company.

Acquisition

The Company has been informed by CPG that its non-wholly owned subsidiary, Shanghai Kinghill acquired from Ping An Trust its 100% equity interest in Shunping Investment on 5 March 2015. As Shanghai Kinghill holds a 100% equity interest in Shunping Investment after the acquisition, Shunping Investment has become a connected person of the Company. Accordingly, the continuing transaction under the Shantou Lease constitutes a continuing connected transaction of the Company and thus is subject to the reporting and announcement requirements pursuant to Rule 14A.60 of the Listing Rules. Upon any future variation or renewal of the Shantou Lease, the Company will comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements (if any) under Chapter 14A of the Listing Rules in respect of continuing connected transactions.

Shantou Lease

(a) Parties

- (i) Shantou Lotus (as the lessee)
- (ii) Shunping Investment (as the lessor)

(b) Property

The property with an area of approximately 20,400 square meters and located at Feng Ze Zhuang, Changping Road, Longhu District, Shantou, the PRC (the "Property")

(c) Term

From 12 December 2005 to 11 December 2025

(d) Consideration

The consideration payable by the lessee under the Shantou Lease consists of the following:

(i) Monthly rent

At the time of entering into the Shantou Lease in 2005, the amount of monthly rent payable by the lessee was set in accordance with the schedule (the "Rental Payment Schedule") below:-

	Monthly Rent RMB	Annual Rent RMB
12 December 2005 to 11 December 2008	790,834	9,490,008
12 December 2008 to 11 December 2011	823,559	9,882,708
12 December 2011 to 11 December 2014	857,265	10,287,180
12 December 2014 to 11 December 2017	891,983	10,703,796
12 December 2017 to 11 December 2020	927,743	11,132,916
12 December 2020 to 11 December 2023	964,575	11,574,900
12 December 2023 to 11 December 2025	1,002,512	12,030,144

The amounts in the Rental Payment Schedule are subject to adjustment every two years, which is made with reference to any fluctuations in the one-year deposit rate promulgated by the People's Bank of China ("Interest Rate Adjustment"). After each Interest Rate Adjustment, the Rental Payment Schedule is updated and becomes the basis for any further adjustment. The next Interest Rate Adjustment will be due on 12 December 2015. Following previous Interest Rate Adjustments, as at the date of this announcement, the Rental Payment Schedule for the remaining term of the Shantou Lease is as below:-

	Monthly Rent RMB	Annual Rent RMB
Up to 11 December 2017	927,992	11,135,904
12 December 2017 to 11 December 2020	965,196	11,582,352
12 December 2020 to 11 December 2023	1,003,515	12,042,180
12 December 2023 to 11 December 2025	1,042,983	12,515,796

(ii) Monthly marketing promotion fee

At the time of entering into the Shantou Lease in 2005, the amount of the monthly marketing promotion fee payable by Shantou Lotus was set at RMB300,000, equivalent to an annual fee of RMB3,600,000. The monthly marketing promotion fee is subject to Interest Rate Adjustment. The adjusted monthly marketing promotion fee thereafter becomes the basis for any further adjustment. The next Interest Rate Adjustment will be due on 12 December 2015. Following previous Interest Rate Adjustments, as at the date of this announcement, the monthly marketing promotion fee for the remaining term of the Shantou Lease is RMB312,114, equivalent to an annual amount of RMB3,745,368.

In any event, the maximum monthly rent and marketing promotion fee should not exceed RMB1,412,000, equivalent to a maximum annual amount of RMB16,944,000, and the minimum monthly rent and marketing promotion fee should not be less than RMB1,027,000, equivalent to a minimum annual amount of RMB12,324,000.

The monthly rent and marketing promotion fee are payable on or before the 5th day of each calendar month.

(iii) Taxes

The lessee is responsible for any taxes payable by the lessor on the income derived from the Shantou Lease.

(e) Guarantees

For the duration of the term of the Shantou Lease:

- (i) the Company provided a guarantee in favour of Shunping Investment for up to 55% of the obligations of Shantou Lotus under the Shantou Lease; and
- (ii) a bank appointed by Shantou Lotus provided a guarantee in favour of Shunping Investment in the amount not exceeding RMB30,000,000.

INFORMATION ON THE PARTIES

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

Shantou Lotus, a wholly-owned subsidiary of the Company established in the PRC, is engaged in the business of the operation of hypermarket stores in Shantou, Guangdong Province in the PRC.

To the best knowledge of the Company, Shunping Investment, a company established in the PRC, is principally engaged in property investment and development in the PRC.

REASON FOR THE CONTINUING CONNECTED TRANSACTION

Shantou Lease

Shantou Lotus entered into the Shantou Lease with Ping An Trust with effect from 12 December 2005 in respect of the Property to operate its hypermarket store. The Shantou Lease was subsequently revised and assumed by Shunping Investment as lessor on 1 December 2013. At the time of entering into the Shantou Lease with Ping An Trust, Ping An Trust was an Independent Third Party, and at the time of the assumption by Shunping Investment as lessor, Shunping Investment was also an Independent Third Party as 100% of the equity interest in Shunping Investment was held by Ping An Trust at that time which was not a connected person of the Company. Upon Shanghai Kinghill acquiring 100% equity interest in Shunping Investment, the continuing transaction under the Shantou Lease has become continuing connected transaction of the Company and there is no change in the terms of the Shantou Lease.

Opinion of the Directors

In view of the above, the Directors (including the independent non-executive Directors) consider that the Shantou Lease is on normal commercial terms and in the ordinary and usual course of business of the Company, and are therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

CPG is interested in approximately 68.74% of the issued share capital of the Company, and is therefore the controlling shareholder of the Company.

Shanghai Kinghill, a non-wholly owned subsidiary of CPG, acquired from Ping An Trust its 100% equity interest in Shunping Investment on 5 March 2015. As Shanghai Kinghill holds a 100% equity interest in Shunping Investment after the acquisition, Shunping Investment has become an indirect subsidiary of CPG and a connected person of the Company for the purpose of the Listing Rules. The Shantou Lease was previously entered into by Shantou Lotus with what was then an Independent Third Party. Whilst the terms of the Shantou Lease remain unchanged, the transaction thereunder has become a continuing connected transaction of the Company upon Shunping Investment becoming a connected person of the Company. Accordingly, the transaction under the Shantou Lease is subject to the reporting and announcement requirements pursuant to Rule 14A.60 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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 of Hong Kong Limited
“connected person”	has the meaning ascribed to the term under the Listing Rules
“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 68.74% of the issued share capital of the Company
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	person or company which is not connected person (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited
“Ping An Trust”	平安信託有限責任公司 (Ping An Trust Co., Ltd.), a company established in the PRC
“PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the property with an area of approximately 20,400 square meters and located at Feng Ze Zhuang, Changping Road, Longhu District, Shantou, the PRC
“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 which is a non-wholly owned indirect subsidiary of CPG
“Shantou Lease”	the lease agreement in relation to the leasing of the Property commencing from 12 December 2005 to 11 December 2025, first entered into between Shantou Lotus as lessee and Ping An Trust as lessor and subsequently revised and assumed by Shunping Investment as lessor
“Shantou Lotus”	汕頭易初蓮花連鎖超市有限公司, a company established in the PRC and is a wholly-owned subsidiary of the Company
“Shareholders”	holders of the ordinary shares of HK\$0.02 each in the capital of the Company carrying voting rights at general meetings of the Company
“Shunping Investment”	汕頭市信平投資諮詢有限公司, a company established in the PRC which is an indirect subsidiary of CPG
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Cap. 622 of the laws of Hong Kong) and “subsidiaries” shall be construed accordingly

By Order of the Board
Umroong Sanphasitvong
Director

Hong Kong, 6 March 2015

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.