

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

Reference is made to the announcement issued by the Company dated 19 October 2010 in relation to the 2011 SLS Sub-Lease and the 2011 CP Lotus Consulting Agreement. As the terms of the 2011 SLS Sub-Lease and the 2011 CP Lotus Consulting Agreement have expired on 31 December 2011, in order to continue the sub-lease of Property A and Property B by SLS to CTCREM and its subsidiary and the provision of consultancy services by CTCREM to the Group, on 20 January 2012, the following agreements were entered into:

- (i) the 2012 SLS Sub-Lease; and
- (ii) the 2012 CP Lotus Consulting Agreement.

2012 SLS Sub-Lease

Pursuant to the 2012 SLS Sub-Lease, SLS shall sublet to CTCREM the property located at No. 2128 Yang Gao Zhong Lu, Pudong New District, Shanghai, the PRC, with a total floor area of approximately 6,527 square meters, and to Shanghai ZDSH the property located at Level 1, No. 541 Tian Shan Xi Lu, Chang Ning District, Shanghai, the PRC, with a total floor area of approximately 8,600 square meters, respectively.

2012 CP Lotus Consulting Agreement

Pursuant to the 2012 CP Lotus Consulting Agreement, CTCREM shall provide to SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus consultancy services including market research, merchandise position, store layout, merchandise composition and other operational matters to various Stores in Eastern China and Northern China.

LISTING RULES IMPLICATIONS

The Chearavanont Shareholders, through CPG, a company in which they have a combined 51.31% shareholding interest, are interested in approximately 75% in aggregate of the issued share capital of the Company, and are therefore collectively the controlling shareholders of the Company. As the Chearavanont Shareholders and their associates, on an aggregate basis, are collectively also the controlling shareholders of CTCREM, CTCREM is an associate and a connected person of the Company for the purposes of the Listing Rules.

In view of the above, each of the 2012 SLS Sub-Lease and the 2012 CP Lotus Consulting Agreement constitutes a continuing connected transaction under the Listing Rules.

Given that each of the relevant percentage ratios (other than the profits ratio) for the Continuing Connected Transactions is on an annual basis less than 5%, the Continuing Connected Transactions constitute continuing connected transactions exempt from independent shareholders' approval and is subject to reporting and announcement requirements only under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Background

Reference is made to the announcement issued by the Company dated 19 October 2010 in relation to the 2011 SLS Sub-Lease and the 2011 CP Lotus Consulting Agreement. As the terms of the 2011 SLS Sub-Lease and the 2011 CP Lotus Consulting Agreement have expired on 31 December 2011, in order to continue the sub-lease of Property A and Property B by SLS to CTCREM and its subsidiary and the provision of consultancy services by CTCREM to the Group, the 2012 SLS Sub-Lease and the 2012 CP Lotus Consulting Agreement were entered into on 20 January 2012.

A. 2012 SLS Sub-Lease

(a) **Date**

20 January 2012

(b) **Parties**

- (i) SLS (as the sub-lessor); and
- (ii) CTCREM (as the sub-lessee) (on behalf of itself and Shanghai ZDSH).

(c) **Properties**

- (i) Shanghai ZDSH as the occupier:
Level 1, No. 541 Tian Shan Xi Lu, Chang Ning District, Shanghai, the PRC, with a total floor area of approximately 8,600 square meters (Property A).
- (ii) CTCREM as the occupier:
No. 2128 Yang Gao Zhong Lu, Pudong New District, Shanghai, the PRC, with a total floor area of approximately 6,527 square meters (Property B). Property B has been and will continue to be used as a shopping mall by CTCREM.

(d) **Term**

From 1 January 2012 to 31 December 2012

(e) **Rental**

A monthly rental of RMB1,364,000 (approximately HK\$1,679,000) for the period from 1 January 2012 to 30 April 2012 and RMB1,389,000 (approximately HK\$1,710,000) for the period from 1 May 2012 to 31 December 2012, equivalent to an annual rental of RMB16,568,000 (approximately HK\$20,400,000), plus (i) a commission of 5% on the excess of subletting rental income received by CTCREM and/or Shanghai ZDSH over the rental receivable by SLS under the 2012 SLS Sub-Lease; (ii) a commission of 15% on the advertising and promotion income received by Shanghai ZDSH derived from Property A; and (iii) a commission of 15% on the advertising and promotion income received by CTCREM derived from Property B.

The monthly rental in respect of the sub-lease is payable by Shanghai ZDSH in advance of the relevant month and by CTCREM in arrears of the relevant month. The commissions are payable quarterly in arrears following the relevant quarter.

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

For the year ended 31 December 2011, the aggregate annual rental and commissions received by SLS under the 2011 SLS Sub-Lease amounted to approximately RMB17,710,000 (approximately HK\$21,806,000).

The annual cap for the aggregate of the annual rental and commissions due under the 2012 SLS Sub-Lease during its term is set at RMB18,200,000 (approximately HK\$22,410,000).

The annual cap for the 2012 SLS Sub-Lease represented by the annual rentals and commissions has been determined by reference to historical rental and commissions received by SLS and the market rental of other similar properties in the neighboring area in Shanghai. In view of the potential growth, it is a term of the 2012 SLS Sub-Lease that SLS charges a subletting commission on the subletting rental income received by CTCREM and Shanghai ZDSH and this is not an uncommon practice in the retail business to charge such subletting commissions.

B. 2012 CP Lotus Consulting Agreement

(a) **Date**

20 January 2012

(b) **Parties**

- (i) the Company (on behalf of SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus); and
- (ii) CTCREM.

(c) **Service and Service Fee**

Provision by CTCREM to SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus of consultancy services including market research, merchandise position, store layout, merchandise composition and other operational matters in relation to:

- (i) 20 Stores operated by SLS in Shanghai, including one expected to be opened in October 2012;
- (ii) 2 Stores operated by Beijing Lotus in Beijing;
- (iii) 1 Store operated by Zhengzhou Lotus in Zhengzhou; and
- (iv) 1 Store operated by Xuzhou Lotus in Xuzhou.

The Company shall pay (or procure to be paid) to CTCREM a monthly service fee of no more than RMB713,000 (approximately HK\$878,000) determined by reference to the personnel and administrative costs incurred by CTCREM to provide the services. This monthly service fee shall be payable before the 25th day of the relevant calendar month by way of bank transfer.

(d) **Term**

- (i) with respect to the 20 Stores operated by SLS in Shanghai – from 1 January 2012 to 31 December 2012;
- (ii) with respect to the 2 Stores operated by Beijing Lotus in Beijing – from 1 January 2012 to 31 December 2012;
- (iii) with respect to the 1 Store operated by Zhengzhou Lotus in Zhengzhou – from January 2012 to 31 December 2012; and
- (iv) with respect to the 1 Store operated by Xuzhou Lotus in Xuzhou – from 1 January 2012 to 30 September 2012.

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

For the year ended 31 December 2011, the aggregate annual services fees under the 2011 CP Lotus Consulting Agreement amounted to approximately RMB5,664,000 (approximately HK\$6,974,000).

The annual cap for the payments under the 2012 CP Lotus Consulting Agreement for the financial year ending 31 December 2012 is set at RMB6,400,000 (approximately HK\$7,880,000). The annual cap has been determined by reference to the aggregate payments payable by SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus under the 2012 CP Lotus Consulting Agreement.

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.

CTCREM is a company established in the PRC with limited liability and is principally engaged in the leasing and redevelopment of retail stores in the PRC, provision of management consultancy services and sales of goods.

SLS, a wholly-owned subsidiary of the Company, is engaged in the business of the operation of large scale hypermarket stores in the eastern region of the PRC.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

2012 SLS Sub-Lease

The Directors consider that, by renewing the 2011 SLS Sub-Lease, SLS can continue to maximize usage of Property A and Property B which it has leased from Independent Third Parties under head leases and SLS can also increase the variety of merchandise available in the vicinity of the hypermarket stores operated by SLS at such properties. Moreover, the 2012 SLS Sub-Lease has been entered into based on similar commercial terms as the 2011 SLS Sub-Lease. Taking into account that the 2012 SLS Sub-Lease provides SLS with a steady source of revenue from one tenant for two premises, the Directors are of the view that the 2012 SLS Sub-Lease is beneficial to the Company.

2012 CP Lotus Consulting Agreement

The Directors consider that, by renewing the 2011 CP Lotus Consulting Agreement, SLS and Beijing Lotus can continue, and Zhengzhou Lotus and Xuzhou Lotus will be able, to gain the expertise and experience of CTCREM and receive from CTCREM relevant consultancy services at fees which, the Directors believe, are comparable to the normal market rate for similar consultancy services. The Directors also consider that the consultancy services provided by CTCREM can improve the vibrancy of the shopping concept and operations of the stores operated by SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus, which will be able to tap on brandname sub-tenants or concessionaires which can complement their retail operations. Through receiving the relevant consultancy services from CTCREM, the stores of SLS, Beijing Lotus, Zhengzhou Lotus, and Xuzhou Lotus can achieve a unified nationwide image in their own respective consignment areas while allowing for local preferences and tastes. The 2012 CP Lotus Consulting Agreement has been entered into on similar commercial terms as the 2011 CP Lotus Consulting Agreement. Taking into accounts the benefits to be received by the Group under the 2012 CP Lotus Agreement, the Directors are of the view that the 2012 CP Lotus Consulting Agreement is beneficial to the Company.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Chearavanont Shareholders, through CPG, a company in which they have a combined 51.31% shareholding interest, are interested in approximately 75% in aggregate of the issued share capital of the Company, and are therefore collectively the controlling shareholders of the Company. As the Chearavanont Shareholders and their associates, on an aggregate basis, are collectively also the controlling shareholders of CTCREM, CTCREM is an associate and connected person of the Company for the purposes of the Listing Rules.

In view of the above, each of the 2012 SLS Sub-Lease and the 2012 CP Lotus Consulting Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Given that each of the relevant percentage ratios (other than the profits ratio) for the Continuing Connected Transactions is on an annual basis less than 5%, the Continuing Connected Transactions constitute continuing connected transactions exempt from independent shareholders' approval and is subject to reporting and announcement requirements only under the Listing Rules. As Mr. Dhanin Chearavanont, the chairman of the Board, has a controlling interest in CTCREM together with other Chearavanont Shareholders, the Board considers that Mr. Dhanin Chearavanont has a material interest in the Continuing Connected Transactions, and accordingly Mr. Dhanin Chearavanont has abstained from voting in the relevant Board resolution(s).

DEFINITIONS

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

“2011 CP Lotus Consulting Agreement”

the agreement entered into between the Company and CTCREM dated 19 October 2010 for the provision of consultancy services by CTCREM to SLS, Beijing Lotus and Xian Lotus for various Stores operated by SLS, Beijing Lotus and Xian Lotus in Eastern China, Northern China and Xian respectively on an ongoing basis for the period from 1 January 2011 to 31 December 2011

“2012 CP Lotus Consulting Agreement”	the agreement entered into between the Company and CTCREM dated 20 January 2012 for the provision of consultancy services by CTCREM to SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus for various Stores operated by SLS, Beijing Lotus, Zhengzhou Lotus and Xuzhou Lotus in Eastern China and Northern China respectively on an ongoing basis
“2011 SLS Sub-Lease”	the sub-lease dated 19 October 2010 entered into between SLS and CTCREM in relation to Property A and Property B for the period from 1 January 2011 to 31 December 2011
“2012 SLS Sub-Lease”	the sub-lease dated 20 January 2012 entered into between SLS and CTCREM in relation to Property A and Property B
“associate(s)”	has the meaning ascribed to this term in the Listing Rules
“Beijing Lotus”	北京易初蓮花連鎖超市有限公司 (Beijing Lotus Supermarket Chain Store Co., Ltd.), a wholly-owned subsidiary of the Company established in the PRC
“Board”	the board of directors of the Company
“Chearavanont Shareholders”	four members of the Chearavanont family, namely Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont who, on an aggregate basis, own a 51.31% interest in CPG
“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 2012 SLS Sub-Lease and the 2012 CP Lotus Consulting Agreement
“CPG”	Charoen Pokphand Group Company Limited, a company organized and existing under the laws of the Kingdom of Thailand which through its wholly-owned subsidiary, is interested in approximately 75% of the issued share capital 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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Independent Third Parties”	Person independent from the Company and its connected persons
“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
“Person”	means an individual, firm, corporation, partnership, association, limited liability company, union, trust or estate or any other entity or organization whether or not having separate legal existence, including any governmental entity
“PRC”	the People’s Republic of China excluding for this purpose, Hong Kong, Macau Special Administrative Region and Taiwan
“Property A”	the property with an area of approximately 8,600 square meters and located at Level 1, No. 541 Tian Shan Xi Lu, Chang Ning District, Shanghai, the PRC
“Property B”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai ZDSH”	上海正大生活百貨有限公司, a company established in the PRC and a wholly-owned subsidiary of CTCREM
“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 foreign invested enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Store(s)”	hypermarket store(s)
“subsidiary(ies)”	has the meaning ascribed to this term in the Listing Rules
“Xian Lotus”	西安易初蓮花連鎖超市有限公司(Xian Lotus Supermarket Chain Store Co., Ltd.), a wholly-owned subsidiary of the Company established in the PRC
“Xuzhou Lotus”	無錫愛蓮連鎖超市有限公司徐州解放南路店(Xuzhou branch of Wuxi Ailian Supermarket Chain Store Co., Ltd.), a foreign invested enterprise established in the PRC and a wholly-owned subsidiary of the Company

“Zhengzhou Lotus”

鄭州易初蓮花連鎖超市有限公司 (Zhengzhou Lotus Supermarket Chain Store Co., Ltd.), a wholly-owned subsidiary of the Company established in the PRC

By Order of the Board
Umroong Sanphasitvong
Director

Hong Kong, 20 January 2012

Note: For the purpose of this announcement, the following exchange rates have in general been used for the conversion of RMB into Hong Kong dollars for indication only:

RMB1.00 = HK\$1.2313

As at the date of this announcement, the Board comprises twelve executive directors, namely Mr. Dhanin Chearavanont, Mr. Soopakij Chearavanont, Mr. Narong Chearavanont, Mr. Michael Ross, Mr. Yang Xiaoping, Mr. Li Wen Hai, Mr. Meth Jiaravanont, 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.