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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in C.P. Lotus Corporation, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee and a letter from the independent financial adviser, BOSC International Company Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 12 and pages 13 to 21 of this circular respectively.

A notice convening an extraordinary general meeting of C.P. Lotus Corporation to be held at Suite 6411-6413, 64/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong on Friday, 16 December 2016 at 9:30 a.m., is set out on pages 27 to 28 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

25 November 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
A. INTRODUCTION	4
B. CONTINUING CONNECTED TRANSACTIONS	5
C. INFORMATION ON THE PARTIES	8
D. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS	9
E. LISTING RULES IMPLICATIONS	9
F. EXTRAORDINARY GENERAL MEETING	10
G. RECOMMENDATION	10
H. ADDITIONAL INFORMATION	11
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM BOSC INTERNATIONAL	13
APPENDIX – GENERAL INFORMATION	22
NOTICE OF EGM	27

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“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
“BOSC International”	BOSC International Company Limited, a corporation licensed under the SFO 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)
“C.P. Lotus Group”	C.P. Lotus and its subsidiaries
“Company” or “C.P. Lotus”	C.P. Lotus Corporation, 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 Latest Practicable Date
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held on Friday, 16 December 2016 at 9:30 a.m. 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, notice of which is set out on pages 27 to 28 of this circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“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 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
“Latest Practicable Date”	23 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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 circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 this term in the Listing Rules

LETTER FROM THE BOARD



C.P. Lotus Corporation

卜蜂蓮花有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00121)

Directors:

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

Mr. Viroj Sangsnit*

Mr. Songkitti Jaggabatara*

Mr. Itthaporn Subhawong*

Mr. Prasobsook Boondech*

Mr. Cheng Yuk Wo*

Registered office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Principal office in Hong Kong:

21st Floor

Far East Finance Centre

16 Harcourt Road

Hong Kong

* *Independent non-executive Directors*

25 November 2016

To the Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2016 with respect to, among other things, the Continuing Connected Transactions (including the proposed annual caps) which are contemplated under the Master HOEL-CCT Purchase Agreement.

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) and BOSCO International has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation thereto.

LETTER FROM THE BOARD

The text of the letter of BOSC International containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 12 of this circular.

The purpose of this circular is to give Shareholders further information on the terms of the Master HOEL-CCT Purchase Agreement and to provide Shareholders with such information concerning the Company as is required by the Listing Rules, to set out the advice from BOSC International to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions (including the proposed annual caps), and to give notice of the EGM.

B. 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, which are divided into two categories, namely, products with no brand and products under the brand name of "CP". In relation to products with no brand, such as unpackaged chicken, duck and goose products, etc., the C.P. Lotus Group regularly receives tenders or quotes from suppliers including the HOEL

LETTER FROM THE BOARD

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, such as rice, shrimp, eggs etc. 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 offer to its other purchasers.

The Company adopts the following internal control measures to ensure that the prices are on normal commercial terms:

I. Relevant Products with no brand

In relation to the Relevant Products with no brand, the following approval processes are adopted:

- (a) A price research exercise will be conducted by the staff of the procurement department of the Company by requesting three to four tenders or quotes from suppliers including the HOEL Group for similar products.
- (b) A senior staff of the procurement department will compare and review the tenders or quotes gathered by junior staff in (a) above before submitting to the head of the procurement department for decision making.
- (c) The head of the procurement department will 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.

II. Relevant Products under the brand name of “CP”

In relation to the Relevant Products under the brand name of “CP”, the following approval processes are adopted:

- (a) The relevant staff of procurement department will conduct regular market research by checking the prices of the “CP” branded products sold in the market.
- (b) The head of procurement department will periodically conduct meeting with the relevant staff to discuss and review the prices to see whether the prices are reasonable when compared to the corresponding market prices.

LETTER FROM THE BOARD

- (c) If the “CP” branded product prices are higher than the market prices, the Company will negotiate with the HOEL Group for price reduction and ensure that the prices payable by the C.P. Lotus Group are not less favourable than the prices that the HOEL Group offer to its other purchasers.
- III. The relevant personnel of the procurement department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant Continuing Connected Transaction are conducted in accordance with the terms of its respective agreement and will also update the market price on a regular basis for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. The head of the procurement department of the Company will periodically conduct meeting with the relevant staff to review the prices to see whether it is reasonable when compared to the corresponding market prices.
- IV. The Company’s external auditors will conduct an annual review on the pricing and the annual caps of the Continuing Connected Transactions.
- V. The Company’s Audit Committee will annually review the analysis reports and the improvement measures prepared by the Company’s management based on the implementation of the Continuing Connected Transactions by the Company.
- VI. The independent non-executive Directors will conduct an annual review of the implementation of the Continuing Connected Transactions.

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. The purchase amount from the HOEL Group for the nine months ended 30 September 2016 was approximately RMB53.0 million.
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.

LETTER FROM THE BOARD

- Basis for determination of the annual caps
- (1) by reference to the value of the three-year average historical purchase amount of approximately RMB105.5 million (based on the purchase amounts for the year ended 2014, 2015 and annualized amount of 2016 of approximately RMB47.4 million, which is determined based on the aggregate purchase amount for the eight months ended 31 August 2016 made by the C.P. Lotus Group under the 2014 Purchase Agreement). Due to the temporary closure of one of the stores of C.P. Lotus and that some production plants of the HOEL Group had been under renovation and did not have full capacity to provide the Relevant Products to the C.P. Lotus Group during the six months ended 30 June 2016, the relevant purchase amount had been reduced accordingly. However, the aforesaid stores and production plants are expected to resume full operation gradually in 2017. The management has also considered seasonal factor such as the Chinese Lunar New Year and winter solstice that usually lead to higher demand for purchases from the HOEL Group in the month of December;
 - (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.

C. INFORMATION ON THE 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.

LETTER FROM THE BOARD

D. 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 (including the independent non-executive Directors who have taken into account the advice of BOSC International, but excluding 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).

E. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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.

F. EXTRAORDINARY GENERAL MEETING

The EGM is convened to be held at Suite 6411-6413, 64/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on Friday, 16 December 2016 at 9:30 a.m. at which resolution in relation to the Continuing Connected Transactions (including the proposed annual caps) will be proposed. 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). A notice convening the EGM is set out on pages 27 to 28 of this circular.

G. RECOMMENDATION

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) and BOSC International has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation thereto.

The text of the letter of BOSC International containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 12 of this circular.

The Independent Board Committee, having taken into account the opinion of BOSC International, considers 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. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the Continuing Connected Transactions (including the proposed annual caps) at the EGM.

In light of the above, the Board considers 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 and recommends the Independent Shareholders to vote in favour of the resolution in relation to the Continuing Connected Transactions (including the proposed annual caps) at the EGM.

LETTER FROM THE BOARD

H. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board
Umroong Sanphasitvong
Director

LETTER FROM BOSC INTERNATIONAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from BOSC International Company Limited dated 25 November 2016 prepared for the purpose of incorporation in this circular.



34th Floor, Champion Tower
3 Garden Road
Hong Kong

25 November 2016

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master HOEL-CCT Purchase Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 25 November 2016, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 4 November 2016, the Company entered into the Master HOEL-CCT Purchase Agreement with HOEL pursuant to which the C.P. Lotus Group shall purchase from the HOEL Group packaged food, poultry products, processed meat, edible oil, grains, vegetables, fresh and preserved fruits, groceries and any other merchandise customarily sold in hypermarkets (the “**Relevant Products**”), in quantities to be agreed by both parties from time to time during the period from 1 January 2017 to 31 December 2019 (both dates inclusive).

As at the Latest Practicable Date, CPG was 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 subsidiary of CPG, companies in the HOEL Group are connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Master HOEL-CCT Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the “**Continuing Connected Transactions**”). As the proposed annual caps and some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Continuing Connected Transactions are more than HK\$10 million and exceed 5% respectively, the Master HOEL-CCT Purchase Agreement is subject to the reporting, annual review, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. CPG and its associates are required under the Listing Rules to abstain from voting at the EGM on the resolution for approving the Master HOEL-CCT Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps in relation thereto.

LETTER FROM BOSC INTERNATIONAL

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).

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Viroj Sangsnit, Mr. Songkitti Jaggabatara, Mr. Itthaporn Subhawong, Mr. Prasobsook Boondech and Mr. Cheng Yuk Wo, has been formed to advise the Independent Shareholders in respect of the Master HOEL-CCT Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps in relation thereto.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts the omission of which would make any statement in the Circular misleading have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, HOEL, or any of their respective subsidiaries or associates.

LETTER FROM BOSC INTERNATIONAL

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, BOSC International Company Limited (“**BOSC International**”) was not aware of any relationships or interests between BOSC International and the Company or any other parties that could be reasonably regarded as a hindrance to BOSC International’s independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master HOEL-CCT Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps in relation thereto.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of and the proposed annual caps in relation to the transactions under the Master HOEL-CCT Purchase Agreement, we have considered the following principal factors and reasons:

A. Background and reasons for entering into the Master HOEL-CCT Purchase Agreement

The C.P. Lotus Group is one of the leading retail operators in China and is principally engaged in the operation of large scale hypermarket stores located in the northern, southern and eastern parts of China. According to the interim report of the Company for the six months ended 30 June 2016, the C.P. Lotus Group operates 60 retail stores (including 59 hypermarkets and one supermarket) and one shopping mall under the brand name “Lotus”. According to the annual report of the Company for the year ended 31 December 2015, the C.P. Lotus Group’s revenue amounted to approximately RMB10,660.5 million and RMB10,912.0 million for the year ended 31 December 2015 and 2014, respectively, and such revenue mainly represented income from goods sold in the C.P. Lotus Group’s stores in the PRC during the relevant year.

Reference is made to the Company’s announcement dated 25 November 2013 and the circular dated 5 December 2013. On 25 November 2013, the Company entered into the 2014 Purchase Agreement with HOEL, pursuant to which the C.P. Lotus Group would purchase the Relevant Products from HOEL or its related entities during the period from 1 January 2014 to 31 December 2016 (both dates inclusive). The approved annual caps in respect of the purchase of the Relevant Products under the 2014 Purchase Agreement for the year ended 31 December 2014 and 2015 and for the year ending 31 December 2016 were HK\$147.0 million, HK\$166.1 million and HK\$187.7 million, respectively.

As stated in the Letter from the Board, 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, the 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. By entering into the Master HOEL-CCT Purchase Agreement, the C.P. Lotus Group will have the ability to continue to purchase from the HOEL Group where circumstances are appropriate.

LETTER FROM BOSC INTERNATIONAL

Having considered the above and our analysis and view on the major terms of the Master HOEL-CCT Purchase Agreement (as explained below), we concur with the view of the Directors that the entering into the Master HOEL-CCT Purchase Agreement falls within the ordinary and usual course of business of the Company and is in the interests of the Company and the Independent Shareholders as a whole.

B. Major terms of the Master HOEL-CCT Purchase Agreement

(i) General principle of the Master HOEL-CCT Purchase Agreement

The C.P. Lotus Group agrees to purchase from the HOEL Group, in quantities to be agreed from time to time during the period from 1 January 2017 to 31 December 2019 (both days inclusive), the Relevant Products 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.

As advised by the Company, the C.P. Lotus Group shall have the right to purchase the Relevant Products of the same or similar kinds from any independent third party other than the HOEL Group.

(ii) Pricing principal

The parties agree that the price, during the term of the Master HOEL-CCT Purchase Agreement, shall be determined through arm's length commercial negotiation with reference to the prevailing market price of and demand for the Relevant Products in the PRC from time to time and shall be no less favourable to the C.P. Lotus Group than those available to the C.P. Lotus Group from independent third party suppliers in similar transactions.

We have discussed with the Company about the internal control measures of the C.P. Lotus Group regarding the purchasing procedures, details of which are set out in the Letter from the Board. Based on our discussion, we were advised that the Relevant Products comprise of two categories of products including bulk goods without a brand and "CP" branded products. As for procurement of bulk goods without a brand, the C.P. Lotus Group's procurement department will invite quotations from suppliers providing to them the quantities of the relevant products required. At least three suppliers (including members of the HOEL Group and independent third party suppliers) which supply the same or similar relevant products shall be invited to make quotations (the "Quotations") for each purchase. The C.P. Lotus Group's procurement department will review all the Quotations submitted and select the supplier with the best quotation in terms of price, quality and payment term. The relevant purchase order will then be awarded to the successful bidder (including, among others, members of the HOEL Group whenever their quotation price shall be the lowest). As for procurement of "CP" branded products distributed by the HOEL Group, the C.P. Lotus Group's procurement department will satisfy itself that the prices payable by the C.P. Lotus Group are not less favourable than the prices offered by the HOEL Group to their independent purchasers. Furthermore, for the "CP" branded products which the C.P. Lotus Group procures from the HOEL Group and sells on consignment basis, the C.P. Lotus Group will satisfy itself that the margins they charge to the HOEL Group for such goods will be no less favourable than those the C.P. Lotus Group charges to independent third parties under same or similar consignment arrangement. Given the above, we are of the view that the C.P. Lotus Group has set up proper internal procedures to ensure the prices are on normal commercial terms.

LETTER FROM BOSC INTERNATIONAL

As for procurement of bulk goods from the HOEL Group, we selected samples of the C.P. Lotus Group's historical purchases of such products from the HOEL Group during the term of the 2014 Purchase Agreement on a random basis (the "**Sample Purchases**"). We then obtained and reviewed the Quotations of the Sample Purchases provided by the Company. Based on our review, we note that the prices offered by members of the HOEL Group were the lowest as compared to other quotations from independent third party suppliers, and the C.P. Lotus Group followed the aforesaid internal procedures with respect to the Sample Purchases. As for procurement of "CP" branded products distributed by the HOEL Group, we reviewed samples of the C.P. Lotus Group's historical purchase of such products on a random basis and the quotation made by the HOEL Group to its independent third party purchasers for the same branded products, and based on our review, we note that the price offered by the HOEL Group for such branded products were no less favourable to the C.P. Lotus Group than that offered by the HOEL Group to its independent purchaser. As for the consignment arrangement of "CP" branded products which the C.P. Lotus Group procures from the HOEL Group as mentioned above, we reviewed sample transactions of C.P. Lotus Group with the HOEL Group on a random basis and based on our review, we note that the margin charged by the C.P. Lotus Group was no less favourable than that charged by the C.P. Lotus Group to its independent third party under same arrangement.

(iii) Payment

Payment is subject to a credit term of up to 60 days, or other generally accepted market terms from time to time. We reviewed the payment terms of the sample purchases as mentioned above and note that the payment terms offered by members of the HOEL Group were generally comparable with those offered by independent third party suppliers.

(iv) Termination/renewal

The Master HOEL-CCT Purchase Agreement may be terminated by either the C.P. Lotus Group or the HOEL Group by giving prior written notice to the other party no less than 30 days or if the parties unanimously agree to terminate the Master HOEL-CCT Purchase Agreement following consultations.

Based on the above, in particular that (i) the Master HOEL-CCT Purchase Agreement does not restrict the C.P. Lotus Group from purchasing the Relevant Products from independent third parties if the independent third parties offer more favourable terms to the C.P. Lotus Group than those to be offered by the HOEL Group; and (ii) the terms relating to pricing and payment are fair and reasonable, we concur with the view of the Directors that the terms of the Master HOEL-CCT Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM BOSC INTERNATIONAL

C. The proposed annual caps

Set out below are (i) the historical transaction amounts of the Continuing Connected Transactions under the 2014 Purchase Agreement for the two years ended 31 December 2015 and for the eight months ended 31 August 2016; and (ii) the proposed annual caps (the “**Proposed Caps**”) of the Continuing Connected Transactions under the Master HOEL-CCT Purchase Agreement for the three years ending 31 December 2019:

	Historical transaction amounts			Proposed annual caps under the Master HOEL-CCT Purchase Agreement		
	For the year ended 31 December 2014	For the year ended 31 December 2015	From	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
			1 January 2016 to 30 September 2016			
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Purchase of the Relevant Products by the C.P. Lotus Group from the HOEL Group	146.9	97.1	53.0	119.2	134.7	152.2
Approved annual caps under the 2014 Purchase Agreement	147.0	166.1	187.7			
% of utilization	99.93%	58.46%	37.65%			

As noted from the Letter from the Board, the proposed annual caps in relation to the Continuing Connected Transactions under the Master HOEL-CCT Purchase Agreement have been determined based on the following factors:

- (i) by reference to the value of the historical purchases made by the C.P. Lotus Group under the 2014 Purchase Agreement;
- (ii) the projected price increases in the Relevant Products taking into account of the increase in consumer prices in the PRC with reference to the market forecast consumer price index (“**CPI**”) of approximately 2% per annum for each of the financial years ending 31 December 2017, 2018 and 2019 respectively; and
- (iii) 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 products.

LETTER FROM BOSC INTERNATIONAL

We note that the historical purchase amount of the C.P. Lotus Group from the HOEL Group decreased for the year ended 31 December 2015 and the nine months ended 30 September 2016 (on an annualized basis) and the Proposed Caps for each of 2017, 2018 and 2019 represent an increment as compared to the historical purchase amount for 2015 and the nine months ended 30 September 2016 (on an annualized basis). Based on our discussion with the management of the Company, we were advised that the decrease in the historical purchase amount of the Relevant Products from the HOEL Group in 2015 was mainly due to the C.P. Lotus Group's disposal of seven loss-making stores in 2014 and as a result of the continued easing of the economy, the China Government's anti-waste campaign and intensified competition from online retailers. The decrease in the historical purchase amount of the Relevant Products from the HOEL Group for the nine months ended 30 September 2016 was mainly due to the C.P. Lotus Group's decline in same store sales, the closing down of one store in April 2016 as a result of redevelopment of the property by the landlord which is expected to be reopened by 2018, and the temporary closure of some production plants of the HOEL Group which was under renovation during the period which is expected to resume full operation in 2017. The management of the Company further advised that the purchase of the Relevant Products by the C.P. Lotus Group (including the purchase from the HOEL Group) is expected to significantly increase around year end due to seasonal fluctuations such as Winter Solstice and Chinese Lunar New Year.

In assessing the fairness and reasonableness of the Proposed Caps, we have reviewed and discussed with the management of the Company about the calculation of the Proposed Caps. Based on our review and discussion, we understand that the proposed annual cap for 2017 is determined with reference to the average historical purchase amount of the Relevant Products by the C.P. Lotus Group from the HOEL Group of approximately RMB105.5 million (based on the purchase amounts for the year ended 2014, 2015 and annualized amount of 2016 of approximately RMB47.4 million, which is determined based on the aggregate purchase amount for the eight months ended 31 August 2016 made by the C.P. Lotus Group under the 2014 Purchase Agreement) plus an increment of approximately 13%, and the proposed annual cap for each of 2018 and 2019 is determined based on the cap of the immediately preceding year plus an increment of approximately 13%. Despite of the decreasing trend in the historical transaction amounts as mentioned above, after taking into account the peak transaction amount of RMB146.9 million recorded by the Company in 2014 and the reasons for the decrease in the historical transaction amounts as mentioned above, we consider it justifiable for the management of the Company to determine the proposed annual cap for 2017 with reference to the historical average.

With respect to the 13% annual increment adopted in the annual cap calculations, we understand from the Company that such growth rate is arrived at after taking into account (i) the forecasted annual growth rate of approximately 3% of the C.P. Lotus Group's sales of the Relevant Products with reference to the C.P. Lotus Group's growth in the sales of fresh food products (which, as advised by the Company, constitutes all of the Relevant Products under the Master HOEL-CCT Purchase Agreement) of 2.6% for the six months ended 30 June 2016 as compared to the same period of 2015; (ii) an increase of 3-4% attributable to the opening of new stores in each of 2017, 2018 and 2019; (iii) a growth of 2% attributable to the general price increase in China which is determined with reference to the CPI of 1.4% of China in 2015 and the market forecast CPI for each of 2017, 2018 and 2019; and (iv) a buffer of 4-5% to cater for the business growth and the unforeseeable price increase in the coming three years.

We have further discussed with the Company about the C.P. Lotus Group's business plan relating to the opening of new retail stores during the term of the Master HOEL-CCT Purchase Agreement, and were advised that the Company currently plans to open an additional seven, six and eight retail stores in 2017, 2018 and 2019, respectively, which is expected to increase the amount of merchandise to be purchased by the C.P. Lotus Group from the HOEL Group under the Master HOEL-CCT Purchase Agreement. The Company also advised that, despite the decrease in the sales performance of the C.P. Lotus Group in 2015 and the six months ended 30 June 2016, the C.P. Lotus Group will continue to expand and open new stores in the next three years due to their (i) confidence in China's long term economy; (ii) efforts in enhancing merchandise offerings; and (iii) continuous efforts in looking for innovative ideas and solutions to better serve the needs of its customers.

LETTER FROM BOSC INTERNATIONAL

With respect to the general price increase of approximately 2% adopted by the Company for determining the Proposed Caps, we note that the proposed price increase rate is comparable to the historical CPI of the PRC of 1.4% in 2015 released by the National Bureau of Statistics of China and the market forecast CPI of 2%, 2% and 2.2% for the year 2017, 2018 and 2019, respectively, sourced from Bloomberg.

With respect to the buffer of 4-5% built in by the Company in determining the Proposed Caps, we understand the buffer is to cater for the unforeseeable changes in market conditions including an unexpected increase in consumer demands and/or further increase in merchandise prices in the coming three years.

Given the above, we are of the view that the basis for determination of the Proposed Caps are fair and reasonable.

D. Requirements by the Listing Rules regarding the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report that the Continuing Connected Transactions have been entered into:
 - in the ordinary and usual course of business of the C.P. Lotus Group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - have received the approval of the Board;
 - are, in all material respects, in accordance with the pricing policies of the C.P. Lotus Group if the transactions involve the provision of goods or services by the C.P. Lotus Group;
 - have been entered into, in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and
 - have not exceeded the proposed annual caps.

LETTER FROM BOSC INTERNATIONAL

- (c) the Company must allow, and ensure that the relevant counterparty to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements relating to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the Proposed Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Master HOEL-CCT Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the C.P. Lotus Group and in the interests of the Company and the Independent Shareholders as a whole, and the terms thereof. Furthermore, based on our analysis set out above, we consider that the Proposed Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master HOEL-CCT Purchase Agreement, the transactions contemplated thereunder and the Proposed Caps.

Yours faithfully,

For and on behalf of

BOSC International Company Limited

Heidi Cheng
Managing Director
Corporate Finance
Investment Banking

Lily Li
Associate Director
Corporate Finance
Investment Banking

Note: Ms. Heidi Cheng of BOSC International has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004, and Ms. Lily Li of BOSC International has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2006. Ms. Heidi Cheng and Ms. Lily Li of BOSC International have over 20 and 10 years of experience in the corporate finance industry, respectively.

RESPONSIBILITY STATEMENT

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES, UNDERLYING ORDINARY SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in Ordinary Shares, underlying Ordinary Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in Ordinary Shares of the Company

Name of Director	Number of Ordinary Shares held	Approximate percentage of shareholding
Mr. Soopakij Chearavanont	183,240,198	1.66%
Mr. Narong Chearavanont	183,240,198	1.66%
Mr. Yang Xiaoping	183,240,198	1.66%
Mr. Meth Jiaravanont	61,080,066	0.55%
Mr. Suphachai Chearavanont	122,160,132	1.11%
Mr. Umroong Sanphasitvong	61,080,066	0.55%

(ii) Long positions in shares of associated corporations

Name of Director	Name of associated corporation	Number of shares held	Approximate percentage of shareholding
Mr. Li Wen Hai	Kinghill Limited	171,428	0.05%
Mr. Yang Xiaoping	Kinghill Limited	171,428	0.05%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in Ordinary Shares, underlying Ordinary Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to section 352 of the SFO to be entered in the register referred therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES AND UNDERLYING ORDINARY SHARES

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the substantial shareholders and other persons (other than the Directors or chief executive of the Company) had an interest or short position in the Ordinary Shares and underlying Ordinary Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the C.P. Lotus Group and the amount of each of such person's interest in such securities, or in any options in respect of such securities; or as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholders	<i>Note</i>	Number of Ordinary Shares held	Approximate percentage of shareholding
C.P. Holding (BVI) Investment Company Limited ("CPH")	(1)	18,083,521,003	164.11%
Worth Access Trading Limited ("Worth Access")	(1)	18,083,521,003	164.11%
CPG Overseas Company Limited ("CPG Overseas")	(1)	18,083,521,003	164.11%
CPG	(1)	18,450,001,399	167.44%

Note:

- (1) Worth Access had declared an interest in the same 18,083,521,003 Ordinary Shares in which CPH had declared an interest by virtue of Worth Access' shareholding in CPH. CPG Overseas had declared an interest in the same 18,083,521,003 Ordinary Shares by virtue of its shareholding in Worth Access. CPG had declared an interest in the same 18,083,521,003 Ordinary Shares by virtue of its shareholding in CPG Overseas and an interest in 366,480,396 Ordinary Shares by virtue of its shareholding in a subsidiary.
- (2) 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) are directors of CPG Overseas. Save as disclosed above, none of the Directors is a director or employee of CPH, Worth Access, CPG Overseas and CPG.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, there is no substantial shareholders and other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Ordinary Shares or underlying Ordinary Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the C.P. Lotus Group and the amount of each of such person's interest in such securities, or in any options in respect of such securities; or as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

The Directors are not aware that any Director and his close associates had, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the C.P. Lotus Group which would be required to be disclosed under the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any existing or proposed service contracts with any member of the C.P. Lotus Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 7 June 2016 in relation to the expected loss for the six months ended 30 June 2016 and the interim results announcement of the Company dated 20 August 2016 for the same period. As disclosed in such announcements (the "Announcements"), the loss was mainly attributable to a decrease in revenue and increase in store operating costs of the C.P. Lotus Group.

Reference is also made to the profit warning announcement of the Company dated 18 November 2016 in relation to the expected continuous loss for the year ending 31 December 2016 as the factors mentioned in the Announcements had continued to adversely affect the operating results of the C.P. Lotus Group in the period since 1 July 2016 and the challenging trend was expected to continue for the rest of the year. In addition, the same announcement also disclosed that the management of the Company may have to evaluate the possibility of recognizing an impairment loss on the goodwill of the Company as it was not expected that the deteriorating business performance could be reversed in the near future.

Please refer to the relevant announcements of the Company for further details. Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the C.P. Lotus Group since 31 December 2015 (the date to which the latest published audited accounts of the C.P. Lotus Group were made up).

QUALIFICATION AND CONSENT OF EXPERT

The following is the qualifications of BOSC International (the “Expert”) who has given its letter for the inclusion in this circular:

Name	Qualifications
BOSC International Company Limited	a corporation licensed under the SFO 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

As at the Latest Practicable Date, the Expert did not have any shareholding in any member of the C.P. Lotus Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the C.P. Lotus Group.

The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

The Expert issued a letter dated 25 November 2016 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.

GENERAL

- (a) Since 31 December 2015, the date to which the latest published audited accounts of the C.P. Lotus Group have been made up, none of BOSC International or any of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the C.P. Lotus Group.
- (b) No Director is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the C.P. Lotus Group.
- (c) The Company’s registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business in Hong Kong is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The secretary of the Company is Ms. Choi Yi Mei. Ms. Choi is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (e) The branch share registrars of the Company in Hong Kong is Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including Friday, 16 December 2016:

- (1) the Master HOEL-CCT Purchase Agreement;
- (2) the letter from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (3) the letter from BOSC International, the text of which is set out on pages 13 to 21 of this circular; and
- (4) the written consent from BOSC International referred to in paragraph headed “Qualification and Consent of Expert” in this Appendix.

NOTICE OF EGM



C.P. Lotus Corporation

卜蜂蓮花有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00121)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of C.P. Lotus Corporation (the “Company”) will be held at Suite 6411-6413, 64/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong on Friday, 16 December 2016 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the agreement (the “Master HOEL-CCT Purchase Agreement”) dated 4 November 2016 entered into between the Company and High Orient Enterprises Limited (“HOEL”), a copy of which marked “A” is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to the purchase on an ongoing basis of 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 the Company and any of the subsidiaries of the Company and which HOEL and any of the associates of HOEL may be able to supply in circumstances which are of commercial benefit to the Company and its subsidiaries, and the terms of and the transactions contemplated under the Master HOEL-CCT Purchase Agreement and the implementation thereof, be and are hereby approved, ratified and confirmed;
- (b) the proposed caps in relation to the transactions under the Master HOEL-CCT Purchase Agreement for the financial year ending (i) 31 December 2017, (ii) 31 December 2018 and (iii) 31 December 2019 respectively, being (i) RMB119.2 million, (ii) RMB134.7 million and (iii) RMB152.2 million respectively, be and are hereby approved; and
- (c) any one director of the Company be hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if it is required to affix the common seal of the Company thereto) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master HOEL-CCT Purchase Agreement.”

By Order of the Board
Choi Yi Mei
Company Secretary

Hong Kong, 25 November 2016

NOTICE OF EGM

As at the date of this notice, the Board comprises nine 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 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.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), must be lodged with the Company's principal place of business in Hong Kong at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.
3. A form of proxy for use at the meeting is being despatched to the shareholders of the Company together with a copy of this notice.