

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION



CAUSE NO. FSD ¹⁴⁹ OF 2019

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2018 REVISION)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER of C.P. LOTUS CORPORATION 卜蜂蓮花有限公司



PETITION



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of C.P. Lotus Corporation 卜蜂蓮花有限公司 shows as follows:

1. The object of this Petition is to seek:
 - a. the sanction of the Court, pursuant to section 86 of the Companies Law (2018 Revision) (the “**Companies Law**”), to two proposed schemes of arrangement (collectively, the “**Schemes of Arrangement**”): (i) one between the petitioner, C.P. Lotus Corporation 卜蜂蓮花有限公司 (the “**Company**”), and the Scheme Ordinary Shareholders (the “**Ordinary Share Scheme of Arrangement**”); and (ii) the other between the Company and the Scheme CPS Holders (the “**CPS Scheme of Arrangement**”). “Scheme Ordinary Shareholders” is defined in the Ordinary Share Scheme of Arrangement and “Scheme CPS Holders” is defined in the CPS Scheme of Arrangement, both contained in a composite scheme document (the “**Composite Scheme Document**”) a draft of which is attached as Exhibit “CYW-1” to the first affirmation of Cheng Yuk Wo which will be sent to, among others, the Independent Ordinary Shareholders (as defined below) and the Independent CPS Holders (as defined below); and
 - b. the confirmation of the Court, pursuant to section 15 of the Companies Law, of two reduction of the issued share capital of the Company: (i) one consequent upon the cancellation of the Scheme Ordinary Shares (the “**Ordinary Share**

Capital Reduction") pursuant to the Ordinary Share Scheme of Arrangement; and (ii) the other consequent upon the cancellation of the Scheme CPS (the "**CPS Capital Reduction**") pursuant to the CPS Scheme of Arrangement. The Ordinary Share Capital Reduction is expected to be approved by way of a special resolution to be passed at an extraordinary general meeting (the "**Ordinary Share EGM**") of the Ordinary Shareholders (as defined below) to be held immediately after the Ordinary Share Court Meeting referred to herein. The CPS Capital Reduction is expected to be approved by way of a special resolution to be passed at an extraordinary general meeting (the "**CPS EGM**") of the CPS Holders (as defined below) to be held immediately after the CPS Court Meeting referred to herein as well as by way of a special resolution to be passed at the Ordinary Share EGM in order to comply with the requirement under the articles of association of the Company. The "Scheme Ordinary Shares" is defined in the Ordinary Share Scheme of Arrangement to refer to the issued ordinary shares of HK\$0.02 par value each in the share capital of the Company held by the Scheme Ordinary Shareholders whereas the "Scheme CPS" is defined in the CPS Scheme of Arrangement to refer to the issued series C convertible preference shares of HK\$0.02 par value each in the share capital of the Company held by the Scheme CPS Holders.

Information of the Company

2. The Company is an investment holding company and its subsidiaries (which together with the Company are collectively referred to as the "**Group**") are principally engaged in the operation of large scale hypermarket stores located in the northern, southern and eastern parts of the People's Republic of China ("**PRC**").
3. The Company was incorporated under the name of Creative Investment Holdings Limited on 18 September 1990 under the Companies Law as an exempted company with registration number 37393. On 17 December 1991, the Company changed its name from "Creative Investment Holdings Limited" to "Hong Kong Fortune Limited. On 18 June 2003, the Company further changed its name from "Hong Kong Fortune Limited" to "Chia Tai Enterprises International Limited 正大企業國際有限公司". On 28 June 2010, the Company further changed its name from

“Chia Tai Enterprises International Limited 正大企業國際有限公司” to “C.P. Lotus Corporation 卜蜂蓮花有限公司”.

4. As an exempted company, the objects for which the Company was established are unrestricted, save for generally applicable statutory restrictions on its powers to trade in the Cayman Islands and is otherwise capable of exercising all the functions of a natural person as provided by section 27(2) of the Companies Law.
5. The registered office of the Company is situated at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Share Capital and Listing

6. As at 5 August 2019 (the “**Latest Practicable Date**”), the Company has an authorised share capital of HK\$940,000,000 divided into 34,000,000,000 ordinary shares of par value HK\$0.02 each (the “**Ordinary Shares**”), 2,000,000,000 series A convertible preference shares of par value of HK\$0.02 each (the “**Series A CPS**”), 4,000,000,000 series B convertible preference shares of par value of HK\$0.02 each (the “**Series B CPS**”), 4,500,000,000 series C convertible preference shares of par value of HK\$0.02 each (the “**Series C CPS**”) and 2,500,000,000 series D convertible preference shares of par value of HK\$0.02 each (the “**Series D CPS**”, together with the Series A CPS, the Series B CPS and the Series C CPS are collectively referred to as the “**Convertible Preference Shares**”), of which 11,019,072,390 Ordinary Shares, 1,518,807,075 Series A CPS, 3,897,110,334 Series B CPS, 3,671,509,764 Series C CPS and 2,211,382,609 Series D CPS have been issued and fully paid-up or credited as fully paid-up and the remainder are unissued.
7. The Company (including its predecessor) has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since 27 March 1981. The Convertible Preference Shares are unlisted and non-voting save and except for any resolution for the winding-up of the Company or resolution

which if passed would vary or abrogate the rights or privileges of such Convertible Preference Shares.

The Schemes of Arrangement

8. There are two Schemes of Arrangement: (i) one being the Ordinary Share Scheme of Arrangement and (ii) the other being the CPS Scheme of Arrangement.
9. The implementation of the Ordinary Share Scheme of Arrangement is not conditional on the implementation of the CPS Scheme of Arrangement but the implementation of the CPS Scheme of Arrangement is conditional on, and will only be implemented upon, all of the conditions in relation to the Ordinary Share Scheme of Arrangement being fulfilled (or waived as applicable). If all the conditions in relation to the Ordinary Share Scheme of Arrangement are fulfilled (or waived as applicable), C.P. Holding (BVI) Investment Company Limited (the "Offeror") will implement the Ordinary Share Scheme of Arrangement to cancel the Scheme Ordinary Shares and the Company will apply to the Hong Kong Stock Exchange for the withdrawal of listing of the Ordinary Shares on the Hong Kong Stock Exchange.
10. Subject to the fulfilment (or waiver as applicable) of all the conditions in relation to the CPS Scheme of Arrangement (which conditions include satisfaction (or waiver as applicable) of all the conditions in relation to the Ordinary Share Scheme of Arrangement), the Offeror will also implement the CPS Scheme of Arrangement to cancel the Scheme CPS.
11. If only the Ordinary Share Scheme of Arrangement becomes unconditional, but not for the CPS Scheme of Arrangement, the Offeror will only implement the Ordinary Share Scheme of Arrangement. In this case, the Company will also apply to the Hong Kong Stock Exchange for the withdrawal of listing of the Ordinary Shares on the Hong Kong Stock Exchange as Series C CPS are unlisted.
12. If the Ordinary Share Scheme of Arrangement does not become unconditional, the Offeror will not implement the CPS Scheme of Arrangement. In this case, both the Ordinary Share Scheme of Arrangement and the CPS Scheme of Arrangement will not become effective.

13. The Ordinary Share Scheme of Arrangement will involve the cancellation and reduction of all the Scheme Ordinary Shares and the restoration of the number of issued Ordinary Shares to the amount immediately before the cancellation and reduction of the Scheme Ordinary Shares.
14. The CPS Scheme of Arrangement will involve the cancellation and reduction of the Scheme CPS and the restoration of the number of issued Series C CPS to the amount immediately before the cancellation and reduction of the Scheme CPS.
15. The Series A CPS, the Series B CPS and the Series D CPS will not be subject to any Schemes of Arrangement and they will continue to be held by the Offeror after the Effective Date (as defined in the Composite Scheme Document).
16. As at the Latest Practicable Date, 8,254,240,605 Ordinary Shares (representing approximately 74.91% of the total number of issued Ordinary Shares) were legally and/or beneficially owned by the Offeror, CPG Enterprise Limited ("**CPG Enterprise**") and other parties acting in concert with the Offeror or presumed to be acting in concert with the Offeror (the "**Other Offeror Concert Parties**"), under the definition of "acting in concert" under the Code on Takeovers and Mergers of Hong Kong (the "**Takeovers Code**").
17. Other than the Ordinary Shares that are held by the Offeror, CPG Enterprise and the Other Offeror Concert Parties mentioned above, as at the Latest Practicable Date, there are 2,764,831,785 Ordinary Shares (representing approximately 25.09% of the total number of issued Ordinary Shares) are held by independent holders of Ordinary Shares (the "**Independent Ordinary Shareholders**") which can vote on the Ordinary Share Scheme of Arrangement.
18. As at the Latest Practicable Date, 3,667,901,964 Series C CPS (representing approximately 99.90% of the total number of issued Series C CPS) were legally and/or beneficially owned by the Offeror.
19. Other than the Series C CPS that are held by the Offeror, as at the Latest Practicable Date, there are 3,607,800 Series C CPS (representing approximately 0.10% of the total number of issued Series C CPS) are held by independent holders of Series C CPS (the "**Independent CPS Holders**") which can vote on the CPS Scheme of Arrangement.

20. On the assumption that no outstanding Convertible Preference Shares are converted from the Latest Practicable Date up to the Effective Date (as defined in the Composite Scheme Document) and on the assumption that there is no other change in shareholdings in the Company from the Latest Practicable Date up to the Effective Date, the profile of the holders of the Ordinary Shares (the “**Ordinary Shareholders**”) and the profile of the holders of Series C CPS (the “**CPS Holders**”) as at the Effective Date is expected to be as follows:

Ordinary Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%
Offeror	6,788,319,021	61.61	10,652,591,994	96.67
CPG Enterprise	366,480,396	3.33	366,480,396	3.33
Other Offeror Concert Parties	1,099,441,188	9.97	-	-

Subtotal (aggregate number of Ordinary Shares not voting on the Ordinary Share Scheme of Arrangement)	8,254,240,605	74.91	11,019,072,390	100
Scheme Ordinary Shareholders who are independent (i.e., Independent Ordinary Shareholders)	2,764,831,785	25.09	-	-
Total Ordinary Shares in issue	11,019,072,390	100	11,019,072,390	100
Total number of Scheme Ordinary Shares (which represent all issued Ordinary Shares except for those held by the Offeror and CPG Enterprise)	3,864,272,973	35.06	-	-

Series C CPS	As at the Latest Practicable Date		As at the Effective Date	
	Number of Series C CPS	%	Number of Series C CPS	%
Offeror (which represent aggregate number of Series C CPS not voting on the CPS Scheme of Arrangement)	3,667,901,964	99.90	3,671,509,764	100
Scheme CPS Holders who are independent (i.e., Independent CPS Holders)	3,607,800	0.10	-	-
Total Series C CPS in issue	3,671,509,764	100	-	-
Total number of Scheme CPS (which represent all issued Series C CPS except for those held by the Offeror)	3,607,800	0.10	-	-

All percentages in the above table are approximations.

Information of the Offeror and CPG Enterprise

21. The Offeror is a company incorporated under the laws of British Virgin Islands with limited liability on 4 August 2000. Its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
22. The Offeror is indirectly wholly-owned by Charoen Pokphand Group Company Limited (the "**Ultimate Parent**"). The Ultimate Parent is a company organised and existing under the laws of the Kingdom of Thailand.
23. CPG Enterprise is a company incorporated under the laws of the British Virgin Islands with limited liability on 11 November 2009. Its registered office is at Vistra

Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

24. CPG Enterprise is indirectly wholly owned by the Ultimate Parent.
25. The Offeror and CPG Enterprise has each provided its undertaking to be bound by the terms of the Schemes of Arrangement.

Purpose of the Schemes of Arrangement

26. The purpose of the Schemes of Arrangement is to privatise the Company so that the Offeror and CPG Enterprise will own 100% of the Company. This will be achieved by the steps summarised in paragraphs 27-30 below.

Principal Features of the Schemes of Arrangement

27. The principal features of the Ordinary Share Scheme of Arrangement are:
 - a. the Ordinary Share Capital Reduction, by the cancellation and extinguishment of the Scheme Ordinary Shares held by the Scheme Ordinary Shareholders pursuant to the Ordinary Share Scheme of Arrangement, in consideration of which the Scheme Ordinary Shareholders will receive HK\$0.11 in cash for each Scheme Ordinary Share cancelled and extinguished (the "**Ordinary Share Cancellation Price**");
 - b. subject to and simultaneously with the Ordinary Share Capital Reduction taking effect, the number of issued Ordinary Shares in the share capital of the Company being restored to its former amount by the allotment and issue to the Offeror, credited as fully paid at par, the same number of Ordinary Shares as the number of Scheme Ordinary Shares cancelled and extinguished at the Effective Date (as defined in the Ordinary Share Scheme of Arrangement) (the "**Restoration of Ordinary Share Capital**"); and
 - c. the credit arising in the books of account of the Company as a result of the Ordinary Share Capital Reduction resulting from the cancellation and extinguishment of the Scheme Ordinary Shares pursuant to the Ordinary Share Scheme of Arrangement being applied in paying up in full at par such number of Ordinary Shares as is equal to the number of Scheme Ordinary

Shares cancelled and extinguished at the Effective Date, which shall be allotted and issued to the Offeror as mentioned in paragraph 27. b. above.

28. The Ordinary Share Scheme of Arrangement is conditional upon the Ordinary Share Capital Reduction becoming effective.
29. The principal features of the CPS Scheme of Arrangement are:
 - a. the CPS Capital Reduction, by the cancellation and extinguishment of the Scheme CPS held by the Scheme CPS Holders pursuant to the CPS Scheme of Arrangement, in consideration of which the Scheme CPS Holders will receive HK\$0.11 in cash for each Scheme CPS cancelled and extinguished (the "**CPS Cancellation Price**");
 - b. subject to and simultaneously with the CPS Capital Reduction taking effect, the number of issued Series C CPS in the share capital of the Company being restored to its former amount by the allotment and issue to the Offeror, credited as fully paid at par, the same number of Series C CPS as the number of Scheme CPS cancelled and extinguished at the Effective Date (as defined in the CPS Scheme of Arrangement) (the "**Restoration of CPS Capital**"); and
 - c. the credit arising in the books of account of the Company as a result of the CPS Capital Reduction resulting from the cancellation and extinguishment of the Scheme CPS pursuant to the CPS Scheme of Arrangement being applied in paying up in full at par such number of Series C CPS as is equal to the number of Scheme CPS cancelled and extinguished at the Effective Date, which shall be allotted and issued to the Offeror as mentioned in paragraph 29. b. above.
30. The CPS Scheme of Arrangement is conditional upon the CPS Capital Reduction becoming effective.

Reasons for the Schemes of Arrangement

31. The principal activity of the Group is the operation of hypermarket stores in the PRC. All revenue from external customers is generated in the PRC and all the significant operating assets of the Group are located in the PRC. At 31 December

2018, the Group operated 80 retail stores and three shopping centres under the brand name 'Lotus'.

32. The Group incurred a loss of approximately RMB288.4 million for the year ended 31 December 2018 (2017: net profit of approximately RMB179.0 million). Such loss includes non-cash one-off impairment losses of approximately RMB401.5 million with respect to intangible assets and goodwill relating to lease termination caused by the landlord in breach of the lease agreement for one of the stores in Shanghai and the performance of the Group in the East China Region not meeting the management's original forecast. While continuing efforts are being made to expand store network, optimise merchandise and sales space, enhance relationship with suppliers and improve operation efficiency, the Group continues to face challenge to its business and the profitability of its operations.
33. In putting the Schemes of Arrangement forward, the Offeror has taken into account the following principal factors, as set out below:

Capital structure and financial position of the Group

- a. The Group's consolidated statement of financial position as at 31 December 2018 showed the limitations on the Group's sources of funding. At that date, the Group had:
- i. net current liabilities of approximately RMB1.7 billion, as mentioned under 'key audit matters' in the 2018 Independent Auditors Report;
 - ii. United States dollar loans from its controlling shareholder equivalent to close to RMB1.0 billion, which are unsecured and will expire in December 2020; and
 - iii. approximately 11.3 billion Convertible Preference Shares in issue, almost all of which were held by the controlling shareholder, convertible into Ordinary Shares on a one-for-one basis (subject to public float requirements under the Listing Rules (as defined in the Composite Scheme Document)). Full conversion of the Convertible Preference Shares would approximately double the Ordinary Shares in issue.
- b. These features are unusual for a public company and, taken overall, may limit

the Group's options in satisfying its future funding requirements in a cost effective manner. The Schemes of Arrangement, once implemented, would simplify and strengthen the Group's financial position.

Marketability and price performance of the Ordinary Shares

- c. There has not been an active market for the Ordinary Shares. In the last 180 trading days up to the date of the making of the announcement by the Company and the Offeror in relation to the Schemes of Arrangement (the "**Announcement Date**"), there was no trading in the Ordinary Shares on the Hong Kong Stock Exchange on 87 trading days. The average daily trading volume over the last 180 trading days to the Announcement Date was approximately 0.37 million Ordinary Shares, representing just approximately 0.01% of the Ordinary Shares held by the Ordinary Shareholders other than the Offeror, CGP Enterprise and the Other Offeror Concert Parties, and the average daily turnover was approximately HK\$32,770. The market price of the Ordinary Shares has declined in 2018 and did not materially improve even during relevant periods of relative market strength such as the first quarter of 2019.
- d. The Schemes of Arrangement provides the Scheme Ordinary Shareholders with an opportunity to realise their illiquid investment in the Company at a healthy premium over the prevailing marketing price and the net book value of the Company.

Cost and expenses of maintaining the Company's listed status

- e. To maintain its listed status, the Company faces administrative and compliance burdens and related costs and expenses. Due to illiquidity and underperformance in the trading of the Ordinary Shares, the Company has difficulty raising funds through equity financing, and the Offeror believes the position is unlikely to improve significantly in the near term. As such, administrative and compliance costs and management resources associated with maintaining the Company's listing status are no longer justified.
- f. Furthermore, following the implementation of the Schemes of Arrangement, the Offeror and the Company can make strategic decisions free from the

pressure of market expectations, short-term profit visibility and share price fluctuation as a publicly listed company. The management of the Company can also utilize the resources which would otherwise go towards administrative, compliance and other listing-related matters on business operations of the Group.

34. Accordingly, the Offeror has decided to put forward the Schemes of Arrangement, in particular the Ordinary Share Scheme of Arrangement, to the Scheme Ordinary Shareholders on the basis of a cash consideration of HK\$0.11 per Scheme Ordinary Share cancelled. The Offeror considers that the Ordinary Share Scheme of Arrangement provides an attractive opportunity to Scheme Ordinary Shareholders to realise their investment at a price which is substantially higher than the net book value per share by 52.8% based on the audited financial statements as of 31 December 2018 and higher than the recent average market prices, with premia in the range of 10.0% to 30.3% when compared against its historical average closing price for a period of one, ten, 30, 60, 90, 120 and 180 trading days from the day of announcement of the Schemes of Arrangement on 18 June 2019. A fixed cash consideration avoids the illiquidity discount which is likely to arise if significant number of Ordinary Shareholders tried to sell in the market. The Company has not distributed any dividend since 1994 so Scheme Ordinary Shareholders can reinvest the cash proceeds in income earning securities if they so wish.
35. Given the Company will apply for the withdrawal of listing of the Ordinary Shares on the Hong Kong Stock Exchange after the Ordinary Share Scheme of Arrangement becoming effective, the Offeror, pursuant to Rule 14 of the Takeovers Code, proposes to implement the CPS Scheme of Arrangement so that the Scheme CPS Holders can also realise their investment in the unlisted Series C CPS if the CPS Scheme of Arrangement has become effective.
36. After careful consideration, Mr. Li Wen Hai, being the only executive Director who was not required to abstain from voting by reasons of having, or potentially having, a material interest in the Schemes of Arrangement believes that the terms of the Schemes of Arrangement are fair and reasonable and that the implementation of the Schemes of Arrangement is in the interests of the Scheme Ordinary Shareholders and the Scheme CPS Holders respectively. Accordingly, Mr. Li Wen Hai, being the executive Directors of the Company who was not required to abstain

abstain from voting by reasons of having, or potentially having, a material interest in the Schemes of Arrangement approved the Schemes of Arrangement.

37. Under the Takeovers Code, persons deemed to be acting in concert with the Offeror in connection with the implementation of the Schemes of Arrangement and who are also Ordinary Shareholders and/or CPS Holders shall not be counted (unless permitted by the Securities and Futures Commission of Hong Kong) for the purposes of satisfying the voting requirements of the Takeovers Code. The Ordinary Shareholders and the CPS Holders who are parties acting in concert with the Offeror will not vote on the Schemes of Arrangement at the Court Meetings (as hereinafter defined) and all Independent Ordinary Shareholders and all Independent CPS Holders will be entitled to vote at their respective Court Meeting.
38. The Company intends to make an application for directions herein for declarations and orders that, among other things:
 - a. the relevant classes of shareholders of the Company affected by the Schemes of Arrangement are the Ordinary Shareholders and the CPS Holders and they shall vote as two separate classes;
 - b. the Company be at liberty to convene and hold two court meetings, (i) one of the Independent Ordinary Shareholders (voting together as a single class) (the "**Ordinary Share Court Meeting**") and (ii) the other of the Independent CPS Holders (voting together as a single class) (the "**CPS Court Meeting**") (collectively, the "**Court Meetings**") for the purpose of considering and, if thought fit, approving (with or without modification(s)) the Ordinary Share Scheme of Arrangement and the CPS Scheme of Arrangement (as the case may be);
 - c. directions as to the mode of delivery of an explanatory statement and proxy form to the Independent Ordinary Shareholders and the Independent CPS Holders;
 - d. the appointment of a chairman of the two Court Meetings and for the conduct of the two Court Meetings generally; and,

- e. directions as to the treatment of Ordinary Shares and Series C CPS held by custodians, clearing houses and other nominees for the purposes of the “majority in number” calculation.
39. The Company proposes to convene the Ordinary Share Court Meeting and the CPS Court Meeting both in accordance with section 86 of the Companies Law to be held on or around 4 October 2019 at which the following resolution (with such amendment(s) as may be approved at the relevant Court Meeting) will be considered (each of the capitalised terms referred to in the resolution below are defined in the Composite Scheme Document):

For the Ordinary Share Court Meeting:

*“THAT an ordinary share scheme of arrangement (the **“Ordinary Share Scheme of Arrangement”**) dated [11 September] 2019 between the Company and the Scheme Ordinary Shareholders (as defined in Ordinary Share Scheme of Arrangement) in the form of the print thereof which has been produced to this Court Meeting and, for the purpose of identification signed by the chairman of this Court Meeting, or in such other form and on such terms and conditions or may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved.”*

40. The Ordinary Shareholders who are persons acting in concert with the Offeror in connection with the implementation of the Ordinary Share Scheme of Arrangement will not vote at the Ordinary Share Court Meeting. Only Independent Ordinary Shareholders will vote at the Ordinary Share Court Meeting.

For the CPS Court Meeting:

*“THAT a series C convertible preference share scheme of arrangement (the **“CPS Scheme of Arrangement”**) dated [11 September] 2019 between the Company and the Scheme CPS Holders (as defined in CPS Scheme of Arrangement) in the form of the print thereof which has been produced to this Court Meeting and, for the purpose of identification signed by the chairman of this Court Meeting, or in such other form and on such terms and conditions or may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved.”*

41. The CPS Holders who are persons acting in concert with the Offeror in connection with the implementation of the CPS Scheme of Arrangement will not vote at the CPS Court Meeting. Only Independent CPS Holders will vote at the CPS Court Meeting.

42. Article 63(b) of the Articles of Association of the Company provides as follows:

“The Company may by special resolution reduce its share capital, or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by Law.”

43. The Company intends to convene an extraordinary general meeting of the Ordinary Shareholders (voting together as a single class) to take place as soon as after the conclusion of the Ordinary Share Court Meeting at which it is intended to submit a special resolution to confirm the Ordinary Share Capital Reduction pursuant to the Ordinary Share Scheme of Arrangement, a special resolution to confirm the withdrawal of listing of the Company, an ordinary resolution to approve the Restoration of Ordinary Share Capital, a special resolution to confirm the CPS Capital Reduction pursuant to the CPS Scheme of Arrangement and an ordinary resolution to approve the Restoration of CPS Capital. These resolutions are set out below.

SPECIAL RESOLUTIONS

(1) **THAT:**

- a. pursuant to the ordinary share scheme of arrangement dated [11 September] 2019 (the “**Ordinary Share Scheme of Arrangement**”) between the Company and the Scheme Ordinary Shareholders (as defined in the Ordinary Share Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Ordinary Share Scheme of Arrangement), the issued ordinary shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme

Ordinary Shares (as defined in the Ordinary Share Scheme of Arrangement);
and

- b. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Ordinary Share Scheme of Arrangement and the reduction of the number of issued ordinary shares in the share capital of the Company pursuant to the Ordinary Share Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Ordinary Share Scheme of Arrangement or the reduction of the number of issued ordinary shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.

(2) THAT:

- a. subject to the Ordinary Share Scheme of Arrangement has become effective, the withdrawal of the listing of the ordinary shares of the Company from The Stock Exchange of Hong Kong Limited be and is here approved; and
- b. any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the ordinary shares of the Company.

ORDINARY RESOLUTION

(3) THAT:

- a. subject to and simultaneously with the cancellation and extinguishment of the Scheme Ordinary Shares referred to in resolution 1(a) taking effect, the number of issued ordinary shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Ordinary Share Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.02 each in the share capital of the Company as is equal to the number of Scheme Ordinary Shares cancelled;
- b. the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Ordinary Shares referred to in resolution 1(a)

shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 3(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and

- c. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Ordinary Share Scheme of Arrangement and the restoration of capital pursuant to the Ordinary Share Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Ordinary Share Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.

SPECIAL RESOLUTION

(4) THAT:

- a. pursuant to the series C convertible preference shares scheme of arrangement dated [11 September] 2019 (the “**CPS Scheme of Arrangement**”) between the Company and the Scheme CPS Holders (as defined in the CPS Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the CPS Scheme of Arrangement), the issued series C convertible preference shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme CPS (as defined in the CPS Scheme of Arrangement); and
- b. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the CPS Scheme of Arrangement and the reduction of the number of issued series C convertible preference shares in the share capital of the Company pursuant to the CPS Scheme of

Arrangement, including (without limitation) giving consent to any modification of, or addition to, the CPS Scheme of Arrangement or the reduction of the number of issued series C convertible preference shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.

ORDINARY RESOLUTION

(5) **THAT:**

- a. subject to and simultaneously with the cancellation and extinguishment of the Scheme CPS referred to in resolution 4(a) taking effect, the number of issued series C convertible preference shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the CPS Scheme of Arrangement), credited as fully paid at par, the same number of series C convertible preference shares of HK\$0.02 each in the share capital of the Company as is equal to the number of Scheme CPS cancelled;
- b. the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme CPS referred to in resolution 4(a) shall be applied by the Company in paying up in full at par the new series C convertible preference shares allotted and issued to the Offeror pursuant to resolution 5(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- c. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the CPS Scheme of Arrangement and the restoration of capital pursuant to the CPS Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the CPS Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.

44. The Ordinary Share Scheme of Arrangement and the Ordinary Share Capital Reduction would not involve any diminution of liability in respect of any unpaid share

capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and would have no effect on the creditors of the Company. It is to be noted that the Ordinary Share Capital Reduction and the Restoration of Ordinary Share Capital will occur simultaneously. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business. It is therefore proposed to dispense with preparing a list of creditors.

45. The form of Minute proposed to be registered in relation to the Ordinary Share Capital Reduction pursuant to the Ordinary Share Scheme of Arrangement is as follows:

*"The issued ordinary shares of par value HK\$0.02 each (the "**Ordinary Shares**") in the share capital of **C.P. Lotus Corporation** 卜蜂蓮花有限公司 was by virtue of a Special Resolution passed on 4 October 2019 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 2019 reduced from HK\$ divided into Ordinary Shares to HK\$ divided into Ordinary Shares (the "**Ordinary Share Capital Reduction**"). Simultaneously with the Ordinary Share Capital Reduction, the issued Ordinary Shares in the share capital of C.P. Lotus Corporation 卜蜂蓮花有限公司 was restored to HK\$ by allotting and issuing to C.P. Holding (BVI) Investment Company Limited, credited as fully paid at par, Ordinary Shares.*

The authorised share capital of the Company, on the registration of this Minute, is HK\$940,000,000 divided into 34,000,000,000 ordinary shares of par value HK\$0.02 each, 2,000,000,000 series A convertible preference shares of par value of HK\$0.02 each, 4,000,000,000 series B convertible preference shares of par value of HK\$0.02 each, 4,500,000,000 series C convertible preference shares of par value of HK\$0.02 each and 2,500,000,000 series D convertible preference shares of par value of HK\$0.02 each."

46. The Company intends to convene an extraordinary general meeting of the CPS Holders (voting together as a single class) to take place as soon as after the conclusion of the CPS Court Meeting at which it is intended to submit a special resolution to confirm the CPS Capital Reduction pursuant to the CPS Scheme of

Arrangement and an ordinary resolution to approve the Restoration of CPS Capital. These resolutions are set out below.

SPECIAL RESOLUTION

(1) THAT:

- a. pursuant to the series C convertible preference shares scheme of arrangement dated [11 September] 2019 (the "**CPS Scheme of Arrangement**") between the Company and the Scheme CPS Holders (as defined in the CPS Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the CPS Scheme of Arrangement), the issued series C convertible preference shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme CPS (as defined in the CPS Scheme of Arrangement); and
- b. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the CPS Scheme of Arrangement and the reduction of the number of issued series C convertible preference shares in the share capital of the Company pursuant to the CPS Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the CPS Scheme of Arrangement or the reduction of the number of issued series C convertible preference shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.

ORDINARY RESOLUTION

(2) THAT:

- a. subject to and simultaneously with the cancellation and extinguishment of the Scheme CPS referred to in resolution 1(a) taking effect, the number of issued series C convertible preference shares in the share capital of the Company be

restored to its former amount by allotting and issuing to the Offeror (as defined in the CPS Scheme of Arrangement), credited as fully paid at par, the same number of series C convertible preference shares of HK\$0.02 each in the share capital of the Company as is equal to the number of Scheme CPS cancelled;

- b. the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme CPS referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new series C convertible preference shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
 - c. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the CPS Scheme of Arrangement and the restoration of capital pursuant to the CPS Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the CPS Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.
47. The CPS Scheme of Arrangement and the CPS Capital Reduction would not involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and would have no effect on the creditors of the Company. It is to be noted that the CPS Capital Reduction and the Restoration of CPS Capital will occur simultaneously. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business. It is therefore proposed to dispense with preparing a list of creditors.
48. The form of Minute proposed to be registered in relation to the CPS Capital Reduction pursuant to the CPS Share Scheme of Arrangement is as follows:

"The issued series C convertible preference shares of HK\$0.02 each (the "CPS") in the share capital of C.P. Lotus Corporation 卜蜂蓮花有限公司 was by virtue of a Special Resolution passed on 4 October 2019 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 2019 reduced from HK\$ divided into CPS to HK\$ divided into CPS (the "CPS Capital Reduction"). Simultaneously with the CPS Capital Reduction, the issued CPS in the share capital of C.P. Lotus Corporation 卜蜂蓮花有限公司 was restored to HK\$ by allotting and issuing to C.P. Holding (BVI) Investment Company Limited, credited as fully paid at par, CPS.

The authorised share capital of the Company, on the registration of this Minute, is HK\$940,000,000 divided into 34,000,000,000 ordinary shares of par value HK\$0.02 each, 2,000,000,000 series A convertible preference shares of par value of HK\$0.02 each, 4,000,000,000 series B convertible preference shares of par value of HK\$0.02 each, 4,500,000,000 series C convertible preference shares of par value of HK\$0.02 each and 2,500,000,000 series D convertible preference shares of par value of HK\$0.02 each."

49. Your petitioner, the Company therefore prays as follows:

- a. That the Ordinary Share Scheme of Arrangement to be approved at the Ordinary Share Court Meeting to be convened and held at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding on the Company, the Scheme Ordinary Shareholders and the Offeror.
- b. That the CPS Scheme of Arrangement to be approved at the CPS Court Meeting to be convened and held at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding on the Company, the Scheme CPS Holders and the Offeror.
- c. That the Ordinary Share Capital Reduction may be confirmed and that the Minute mentioned in paragraph 45 may be approved by the Court.
- d. That the CPS Capital Reduction may be confirmed and that the Minute mentioned in paragraph 48 may be approved by the Court.

- e. That the preparation of a list of creditors for both the Ordinary Share Scheme of Arrangement and the CPS Scheme of Arrangement be dispensed with.
- f. That to this end, all necessary inquiries and directions may be made and given.
- g. Such further or other order or relief as this Honourable Court shall see fit.

And your Petitioner will ever pray etc.

Dated this 7th day of August 2019



Conyers Dill & Pearman
Attorneys-at-Law for the Petitioner herein

NOTE: It is intended to serve this Petition on C.P. Lotus Corporation 卜蜂蓮花有限公司 at its registered office located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Notice of Hearing

This Petition, having been presented to the Court on the day of
2019, will be heard at the Law Courts, George Town, Grand Cayman on the day of
2019 at a.m. or as soon thereafter as the Petition can be heard.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its said Attorneys-at-Law, SIX, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands