
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a 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 of C.P. Pokphand Co. Ltd., 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. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

**NEW CONTINUING CONNECTED TRANSACTIONS,
REVISION OF THE EXISTING ANNUAL CAPS UNDER
THE SHANGHAI LOTUS CONTINUING CONNECTED TRANSACTIONS,
THE SUPPLEMENTAL AGREEMENT
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS**

**Independent financial adviser to the Independent Board Committee and the
Independent Shareholders**



KingswayGroup

Kingsway Capital Limited

A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular and a letter of advice from Kingsway Capital Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 36 of this circular.

A notice convening the special general meeting of C.P. Pokphand Co. Ltd. to be held at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on Wednesday, 30th November, 2005 at 11:30 a.m. is set out on pages 44 to 47 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying 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 will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

27th October, 2005

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Introduction	6
New Continuing Connected Transactions	8
Revision of the Existing Annual Caps under the Shanghai Lotus Continuing Connected Transactions and the Supplemental Agreement	12
Reasons for the New Continuing Connected Transactions, the Revision of the Existing Annual Caps under the Shanghai Lotus Continuing Connected Transactions and the Supplemental Agreement	15
Listing Rules Implications	15
Proposed Amendments to the Bye-Laws	16
Special General Meeting	17
Recommendation	18
Letter from the Independent Board Committee	19
Letter from Kingsway	20
Appendix I – Proposed amendments to the Bye-Laws	37
Appendix II – General Information	38
Notice of Special General Meeting	44

DEFINITIONS

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

“Announcement”	the announcement dated 5th October, 2005 issued by the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of CPP (as amended from time to time)
“Chearavanont Shareholders”	four members of the Chearavanont family, namely, Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont who, on an aggregate basis, are indirectly interested in approximately 51.43% of the issued share capital of CPP
“Chia Tai Food”	正大食品企業(上海)有限公司 (Chia Tai Food Product (Shanghai) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and a subsidiary of CPP
“Chia Tai Food Packaged Food and Poultry Products New Supply Agreement”	the supply agreement entered into between Chia Tai Food and Guangzhou Lotus on 9th September, 2005 in relation to the supply of packaged food, poultry products and processed meat, on an ongoing basis, by Chia Tai Food to Guangzhou Lotus
“connected person”	has the meaning ascribed to it under the Listing Rules
“CPP” or “Company”	C.P. Pokphand Co. Ltd., a company incorporated in Bermuda whose shares are listed and traded on the Main Board of the Stock Exchange
“CPP Subsidiaries”	Chia Tai Food, Qingdao Chia Tai and Ningbo Oil
“C.P. Seven Eleven”	C.P. Seven Eleven Public Company Limited, a company incorporated in Thailand whose shares are listed on the Stock Exchange of Thailand
“CTEI”	Chia Tai Enterprises International Limited (正大企業國際有限公司), a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of the Stock Exchange

DEFINITIONS

“Directors”	the directors of CPP
“Existing Annual Caps”	the existing annual caps under the Shanghai Lotus Continuing Connected Transactions approved by the Independent Shareholders at the Previous Special General Meeting
“First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement”	the supply agreement entered into between Qingdao Chia Tai and Guangzhou Lotus on 9th September, 2005 in relation to the supply of chicken and processed meat, on an ongoing basis, by Qingdao Chia Tai to Guangzhou Lotus
“Group”	CPP and its subsidiaries
“Guangzhou Lotus”	廣州易初蓮花連鎖超市有限公司 (Chia Tai-Lotus (Guangzhou) Investment Company Limited), a limited liability company established in the PRC and a subsidiary of Lotus-CPF (PRC) Investment Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising three independent non-executive Directors, which has been established to advise the Independent Shareholders in relation to the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement
“Independent Shareholders”	Shareholders other than the Chearavanont Shareholders and their respective associates (including CPI Holding Co., Ltd. and Worth Access Trading Limited)
“Kingsway”	Kingsway Capital Limited, a licensed corporation for Type 6 regulated activities as set out in Schedule 5 of the SFO, appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement
“Latest Practicable Date”	25th October, 2005 being the latest practicable date for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lotus-CPF Agreement”	the conditional agreement entered into between Union Growth Investments Limited and Charoen Pokphand Group Co., Ltd. on 9th September, 2005 in relation to the acquisition by Union Growth Investments Limited of 10% of the issued share capital of Lotus-CPF (PRC) Investment Company Limited, details of which was disclosed in the announcement issued by CTEI dated 16th September, 2005
“New Continuing Connected Transactions”	the transactions to be carried out under the New Continuing Connected Transactions Agreements
“New Continuing Connected Transactions Agreements”	Chia Tai Food Packaged Food and Poultry Products New Supply Agreement, First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement, and Ningbo Chia Tai Edible Oil New Supply Agreement
“Ningbo Chia Tai Edible Oil New Supply Agreement”	the supply agreement entered into between Ningbo Oil and Guangzhou Lotus on 9th September, 2005 in relation to the supply of edible oil, on an ongoing basis, by Ningbo Oil to Guangzhou Lotus
“Ningbo Oil”	寧波正大糧油實業有限公司 (Ningbo Chia Tai Cereal and Oil Industrial Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and a subsidiary of CPP
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Previous Announcement”	the announcement issued by CPP dated 17th February, 2005 in relation to, among other matters, the Continuing Connected Transactions (as defined therein)
“Previous Special General Meeting”	the special general meeting of the Company held on 21st April, 2005
“Qingdao Chia Tai”	青島正大有限公司 (Qingdao Chia Tai Company Limited), a wholly foreign-owned enterprise established in the PRC and a subsidiary of CPP

DEFINITIONS

“Revised Annual Caps”	the revised annual caps under the Shanghai Lotus Continuing Connected Transactions proposed for each of the three financial years ending 31st December, 2005, 31st December, 2006 and 31st December, 2007, respectively, to be approved by the Independent Shareholders at the SGM
“RMB”	renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	a special general meeting of CPP to be held at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on Wednesday, 30th November, 2005 at 11:30 a.m. to approve the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps, the Supplemental Agreement, and the proposed amendments to the Bye-Laws, notice of which is set out on pages 44 to 47 of this circular
“Shanghai Lotus”	上海易初蓮花連鎖超市有限公司 (Shanghai Lotus Supermarket Chain Store Co., Ltd.), a sino-foreign cooperative joint venture established in the PRC and a subsidiary of C.P. Seven Eleven
“Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement”	the purchase agreement entered into between Shanghai Lotus and Chia Tai Food on 15th February, 2005 in relation to the purchase of chicken and processed meat, on an ongoing basis, by Shanghai Lotus from Chia Tai Food
“Shanghai Lotus Continuing Connected Transactions”	the continuing transactions under the Shanghai Lotus Continuing Connected Transactions Agreements, which constitute continuing connected transactions as defined in the Listing Rules
“Shanghai Lotus Continuing Connected Transactions Agreements”	Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement, Shanghai Lotus Duck and Processed Meat Purchase Agreement and the Supplemental Agreement
“Shanghai Lotus Duck and Processed Meat Purchase Agreement”	the purchase agreement entered into between Shanghai Lotus and Xianghe Chia Tai on 15th February, 2005 in relation to the purchase of duck and processed meat, on an ongoing basis, by Shanghai Lotus from Xianghe Chia Tai, as amended by the Supplemental Agreement

DEFINITIONS

“Shareholders”	shareholders of CPP
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	a supplemental agreement entered into between Shanghai Lotus and Xianghe Chia Tai on 5th October, 2005 to amend certain terms of the Shanghai Lotus Duck and Processed Meat Purchase Agreement
“Xianghe Chia Tai”	香河正大有限公司 (Xianghe Chia Tai Co., Ltd.) a wholly foreign-owned enterprise established in the PRC and a subsidiary of CPP

Translations of RMB into HK\$, and US\$ into HK\$ are made in this circular at the following respective exchange rates for illustration purposes only. No representation is made that any amounts in RMB or US\$ could have been or could be converted at those rates or at any other rates:

<i>RMB1.00</i>	<i>HK\$0.96</i>
<i>US\$1.00</i>	<i>HK\$7.80</i>

LETTER FROM THE BOARD



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

Directors:

Mr. Sumet Jiaravanon
Mr. Dhanin Chearavanont
Mr. Thanakorn Seriburi
Mr. Meth Jiaravanont
Mr. Anan Athigapanich
Mr. Damrongdej Chalongphuntarat
Mr. Robert Ping-Hsien Ho
Mr. Bai Shanlin
Mr. Soopakij Chearavanont
Mr. Nopadol Chiaravanont
Mr. Benjamin Jiaravanon
Mr. Narong Chearavanont
Mr. Ma Chiu Cheung, Andrew*
Mr. Kowit Wattana*
Mr. Sombat Deo-isres*

Registered office:

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22 Victoria Street
Hamilton HM12
Bermuda

Principal office in Hong Kong:

21st Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

* *Independent non-executive Directors*

27th October, 2005

To the Shareholders

Dear Sir or Madam,

**NEW CONTINUING CONNECTED TRANSACTIONS,
REVISION OF THE EXISTING ANNUAL CAPS UNDER
THE SHANGHAI LOTUS CONTINUING CONNECTED TRANSACTIONS,
THE SUPPLEMENTAL AGREEMENT
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS**

INTRODUCTION

The Board announced in the Announcement, among other matters, that on 9th September, 2005, the relevant CPP Subsidiaries entered into the Chia Tai Food Packaged Food and Poultry Products New Supply Agreement, the First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement and the Ningbo Chia Tai Edible Oil New Supply Agreement, with Guangzhou Lotus in relation to the supply of produce including packaged food, poultry products, edible oil and chicken and processed meat by the respective CPP Subsidiaries to Guangzhou Lotus. These agreements set out the framework within which

LETTER FROM THE BOARD

the relevant produce is to be supplied and in particular the key terms and conditions and the general pricing principles to be followed by Guangzhou Lotus when it places specific orders from time to time with the relevant CPP Subsidiaries for the purchase of the relevant produce.

Upon completion of the Lotus-CPF Agreement, Guangzhou Lotus will become a subsidiary of CTEI and an associate of the controlling shareholders of CPP, and therefore will be a connected person of CPP as defined under Rule 14A.11 of the Listing Rules. When Guangzhou Lotus has become a connected person of CPP, the New Continuing Connected Transactions will become connected transactions of CPP and the terms and the related annual caps of the New Continuing Connected Transactions Agreements will be subject to the Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of Kingsway. Completion of the Lotus-CPF Agreement is conditional upon, among other things, the independent shareholders' approval of CTEI being obtained. If the Lotus-CPF Agreement fails to be completed, Guangzhou Lotus will not become an associate of a connected person of CPP under the Listing Rules, and none of the transactions entered into with Guangzhou Lotus under the New Continuing Connected Transactions Agreements will become a connected transaction of CPP and therefore will not require the Independent Shareholders' approval.

The Board also referred in the Announcement to the Previous Announcement, in which the Company announced that the Group had entered into the Continuing Connected Transactions comprising of the Shanghai Lotus Continuing Connected Transactions (as defined in the Previous Announcement), each of which and the related annual caps were approved by the Independent Shareholders at the Previous Special General Meeting. The significant increase in demand in the relevant produce from Shanghai Lotus in recent months was beyond the Directors' previous expectation. For the period from 1st January to 30th September, 2005, the aggregate value of the supply of the relevant produce to Shanghai Lotus almost reached the relevant annual caps for the relevant Shanghai Lotus Continuing Connected Transactions for the whole financial year ending 31st December, 2005. In order to allow Chia Tai Food and Xianghe Chia Tai to continue to supply the relevant produce to Shanghai Lotus under the terms and conditions set out in the Shanghai Lotus Continuing Connected Transactions Agreements, Chia Tai Food and Xianghe Chia Tai propose to increase the Existing Annual Caps, which were approved by the Independent Shareholders at the Previous Special General Meeting, to the Revised Annual Caps.

One of the Shanghai Lotus Continuing Connected Transactions was the supply of duck and processed meat by Xianghe Chia Tai to Shanghai Lotus under the Shanghai Lotus Duck and Processed Meat Purchase Agreement. Xianghe Chia Tai has since started to supply duck down to Shanghai Lotus. In anticipation of the continuing increase in demand in duck down by Shanghai Lotus, the Supplemental Agreement was entered into between Shanghai Lotus and Xianghe Chia Tai on 5th October, 2005 to expand the scope of produce to be supplied by Xianghe Chia Tai to Shanghai Lotus to include duck down. Save as disclosed herein, all other terms of the Shanghai Lotus Duck and Processed Meat Purchase Agreement remains the same. The Supplemental Agreement and each of the Revised Annual Caps will be subject to Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of Kingsway.

The Chearavanont Shareholders and their respective associates (including CPI Holding Co., Ltd. and Worth Access Trading Limited) will abstain from voting in respect of the ordinary resolutions to be proposed at the SGM to approve the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement.

LETTER FROM THE BOARD

The Board also proposes to amend the Bye-Laws to comply with the new Code on Corporate Governance Practices and Rules on the Corporate Governance Report which came into effect on 1st January, 2005, in particular A.4.2 of the Code. A special resolution to give effect to the proposed amendments to the Bye-Laws will be proposed at the SGM.

The purpose of this circular is to provide you with (i) details of the New Continuing Connected Transactions Agreements, the Revised Annual Caps, the Supplemental Agreement, and the proposed amendments to the Bye-Laws; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from Kingsway to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the SGM.

A. NEW CONTINUING CONNECTED TRANSACTIONS

DETAILS OF THE NEW CONTINUING CONNECTED TRANSACTIONS

The New Continuing Connected Transactions comprise transactions to be carried out by the respective CPP Subsidiaries with Guangzhou Lotus pursuant to the following conditional agreements:

- (1) Chia Tai Food Packaged Food and Poultry Products New Supply Agreement;
- (2) First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement; and
- (3) Ningbo Chia Tai Edible Oil New Supply Agreement.

NEW CONTINUING CONNECTED TRANSACTIONS AGREEMENTS

- (1) *Chia Tai Food Packaged Food and Poultry Products New Supply Agreement*

Date

9th September, 2005

Parties

1. Chia Tai Food (as supplier)
2. Guangzhou Lotus (as purchaser)

Subject matter

Packaged food, poultry products and processed meat

Term

From the date of completion of the Lotus-CPF Agreement to 31st December, 2007.

LETTER FROM THE BOARD

Price

To be determined by reference to the prevailing market price and demand of packaged food, poultry products and processed meat in the PRC, the production costs of Chia Tai Food, and no less favourable to Chia Tai Food than those available from independent third parties.

Payment terms

Credit terms of up to 60 days. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

It is proposed that the annual value of the purchases of packaged food, poultry products and processed meat by Guangzhou Lotus from Chia Tai Food for the two month period of November and December, 2005 (assuming completion of the Lotus-CPF Agreement is to take place in November 2005) and for the financial years ending 31st December, 2006 and 31st December, 2007 will not exceed HK\$1,000,000, HK\$6,600,000 and HK\$7,260,000 respectively. The proposed caps have been determined by reference to (i) the unaudited aggregate value of the relevant merchandise purchased by Guangzhou Lotus during the period from January to September, 2005 of approximately HK\$748,000; (ii) the possible price increases in line with consumer prices in the PRC generally; and (iii) the anticipated increase in the variety of packaged food to be sold by Chia Tai Food and therefore, the possible increase in the purchase of the relevant merchandise by Guangzhou Lotus.

- (2) *First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement*

Date

9th September, 2005

Parties

1. Qingdao Chia Tai (as supplier)
2. Guangzhou Lotus (as purchaser)

Subject matter

Chicken and processed meat

Term

From the date of completion of the Lotus-CPF Agreement to 31st December, 2007.

LETTER FROM THE BOARD

Price

To be determined by reference to the prevailing market price and demand of chicken and processed meat in the PRC, the production costs of Qingdao Chia Tai, and no less favourable to Qingdao Chia Tai than those available from independent third parties.

Payment terms

Credit terms of up to 60 days. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

It is proposed that the annual value of the purchases of chicken and processed meat by Guangzhou Lotus from Qingdao Chia Tai for the two month period of November and December, 2005 (assuming completion of the Lotus-CPF Agreement is to take place in November 2005) and for the financial years ending 31st December, 2006 and 31st December, 2007 will not exceed HK\$5,200,000, HK\$34,320,000 and HK\$37,752,000 respectively. The proposed caps have been determined by reference to (i) the unaudited aggregate value of the relevant merchandise purchased by Guangzhou Lotus during the period from January to September, 2005 of approximately HK\$12,636,000; (ii) the possible price increases in line with consumer prices in the PRC generally; and (iii) the possible increase in the purchase of the relevant merchandise by Guangzhou Lotus.

(3) *Ningbo Chia Tai Edible Oil New Supply Agreement*

Date

9th September, 2005

Parties

1. Ningbo Oil (as supplier)
2. Guangzhou Lotus (as purchaser)

Subject matter

Edible oil

LETTER FROM THE BOARD

Term

From the date of completion of the Lotus-CPF Agreement to 31st December, 2007.

Price

To be determined by reference to the prevailing market price and demand of edible oil in the PRC, the production costs of Ningbo Oil, and no less favourable to Ningbo Oil than those available from independent third parties.

Payment terms

Credit terms of up to 60 days. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

It is proposed that the annual value of the purchases of edible oil by Guangzhou Lotus from Ningbo Oil for the two month period of November and December, 2005 (assuming completion of the Lotus-CPF Agreement is to take place in November 2005) and for the financial years ending 31st December, 2006 and 31st December, 2007 will not exceed HK\$5,000,000, HK\$33,000,000 and HK\$36,300,000 respectively. The caps have been determined by reference to (i) the unaudited aggregate value of the relevant merchandise purchased by Guangzhou Lotus during the period from January to September, 2005 of approximately HK\$10,325,000; (ii) the possible price increases in line with consumer prices in the PRC generally; and (iii) the possible increase in the purchase of the relevant merchandise by Guangzhou Lotus.

LETTER FROM THE BOARD

The table below sets out the proposed caps of each of the New Continuing Connected Transactions as compared with the aggregate value of sales of the relevant merchandise for the nine months from January to September, 2005:

	(Unaudited) Nine months ended 30th September, 2005 <i>(HK\$'000)</i>	Proposed caps for the two months ending 31st December, 2005 <i>(HK\$'000)</i>	Proposed caps for the year ending 31st December, 2006 <i>(HK\$'000)</i>	Proposed caps for the year ending 31st December, 2007* <i>(HK\$'000)</i>
Chia Tai Food Packaged Food and Poultry Products New Supply Agreement	748	1,000	6,600	7,260
First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement	12,636	5,200	34,320	37,752
Ningbo Chia Tai Edible Oil New Supply Agreement	10,325	5,000	33,000	36,300

* *the annual caps for the year ending 31st December, 2007 have been determined based on an estimated 10% growth rate from the previous year.*

B. REVISION OF THE EXISTING ANNUAL CAPS UNDER THE SHANGHAI LOTUS CONTINUING CONNECTED TRANSACTIONS AND THE SUPPLEMENTAL AGREEMENT

DETAILS OF THE SHANGHAI LOTUS CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Previous Announcement, in which the Company announced that the Group has entered into the Continuing Connected Transactions comprising the Shanghai Lotus Continuing Connected Transactions (as defined in the Previous Announcement), each of which and the related annual caps were approved by the Independent Shareholders at the Previous Special General Meeting.

The Shanghai Lotus Continuing Connected Transactions comprise transactions carried out by Chia Tai Food and Xianghe Chia Tai, respectively, with Shanghai Lotus pursuant to the following agreements:

- (1) Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement; and
- (2) Shanghai Lotus Duck and Processed Meat Purchase Agreement.

LETTER FROM THE BOARD

THE EXISTING ANNUAL CAPS AND THE REVISED ANNUAL CAPS

The significant increase in demand in the relevant produce from Shanghai Lotus under the Shanghai Lotus Continuing Connected Transactions Agreements in recent months was beyond the Directors' previous expectation. As at 30th September, 2005, the aggregate value of the supply of the relevant produce to Shanghai Lotus almost reached the relevant annual caps for the relevant Shanghai Lotus Continuing Connected Transactions for the whole financial year ending 31st December, 2005. In order to allow Chia Tai Food and Xianghe Chia Tai to continue to supply the relevant produce to Shanghai Lotus under the terms and conditions as set out in the Shanghai Lotus Continuing Connected Transactions Agreements, Chia Tai Food and Xianghe Chia Tai propose to increase the Existing Annual Caps, which were approved by the Independent Shareholders at the Previous Special General Meeting, to the Revised Annual Caps. This will be subject to the Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of Kingsway.

The table below sets out the amount of each of the Shanghai Lotus Continuing Connected Transactions for the financial year ended 31st December, 2004 and the nine months ended 30th September, 2005:

	(Audited) Year ended 31st December, 2004 <i>(HK\$'000)</i>	(Unaudited) Nine months ended 30th September, 2005 <i>(HK\$'000)</i>
Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement	8,326	24,209
Shanghai Lotus Duck and Processed Meat Purchase Agreement	N/A	1,615

LETTER FROM THE BOARD

The table below sets out the Existing Annual Caps and the Revised Annual Caps:

	Year ending 31st December, 2005			Year ending 31st December, 2006			Year ending 31st December, 2007		
	Existing	Revised	Existing	Revised	Existing	Revised	Existing	Revised	
	Annual Cap (HK\$'000)	Amount of increase (HK\$'000)	Annual Cap (HK\$'000)	Annual Cap (HK\$'000)	Amount of increase (HK\$'000)	Annual Cap (HK\$'000)	Annual Cap (HK\$'000)	Amount of increase (HK\$'000)	Annual Cap (HK\$'000)
Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement	25,000	25,000	50,000	27,500	27,500	55,000	30,250	30,250	60,500
Shanghai Lotus Duck and Processed Meat Purchase Agreement	2,000	1,500	3,500*	2,200	1,650	3,850*	2,420	1,815	4,235*

* including duck, processed meat and duck down (which is being added under the Supplemental Agreement).

Basis for determining the Revised Annual Caps

Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement

The revised caps are determined by reference to (i) the total volume of chicken and processed meat sold to Shanghai Lotus for the nine months ended 30th September, 2005 which have almost reached the annual cap of the whole financial year ending 31st December, 2005; (ii) the recent surge of sales volume of the relevant merchandise for the three month period of July to September, 2005 which amounted to approximately HK\$11,500,000 was, as believed by the Board, attributable to the customary increase of meat consumption in the period leading up to the Chinese festivals and national holidays in September and October, 2005; and (iii) discussion with the management of Shanghai Lotus of its projected demand.

Shanghai Lotus Duck and Processed Meat Purchase Agreement

Pursuant to the Shanghai Lotus Duck and Processed Meat Purchase Agreement, Xianghe Chia Tai has since started to supply duck down to Shanghai Lotus under this agreement. As mentioned in the section headed "The Supplemental Agreement" below, Xianghe Chia Tai and Shanghai Lotus have entered into the Supplemental Agreement to add duck down to the list of produce to be supplied by Xianghe Chia Tai under the Shanghai Lotus Duck and Processed Meat Purchase Agreement.

The revised caps are determined by reference to (i) discussion with the management of Shanghai Lotus of the projected increase in demand in duck down, particularly, in the coming winter season; and (ii) the aggregate value of sales under the Shanghai Lotus Duck and Processed Meat Purchase Agreement for the nine month period from January to September, 2005 which have almost reached the whole of the annual cap for the whole financial year in 2005.

LETTER FROM THE BOARD

THE SUPPLEMENTAL AGREEMENT

In anticipation of the continuing increase in demand in duck down, the Supplemental Agreement was entered into between Shanghai Lotus and Xianghe Chia Tai on 5th October, 2005 to expand the scope of produce to be supplied by Xianghe Chia Tai to Shanghai Lotus, to include duck down. Save for the addition of this item, all other terms of the Shanghai Lotus Duck and Processed Meat Purchase Agreement remain the same. The Supplemental Agreement will be subject to Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of Kingsway.

C. REASONS FOR THE NEW CONTINUING CONNECTED TRANSACTIONS, THE REVISION OF THE EXISTING ANNUAL CAPS UNDER THE SHANGHAI LOTUS CONTINUING CONNECTED TRANSACTIONS AND THE SUPPLEMENTAL AGREEMENT

CPP and its subsidiaries are principally engaged in the trading of agricultural products, feedmill and poultry operations, the production and sale of motorcycles and accessories of automotives and property and investment holding.

CTEI is an investment holding company whose subsidiaries are engaged in various business activities including, among other things, the operation of large scale cash-and-carry warehouse stores in the PRC, the provision of software solutions to the financial sectors in Thailand and the investment in commercial properties in the PRC.

Guangzhou Lotus is principally engaged in the operation of cash-and-carry warehouse stores in the Guangdong province whilst Shanghai Lotus is principally engaged in the operation of large scale cash-and-carry warehouse stores in Shanghai and other localities.

The Directors are of the view that the supply of the relevant produce to Guangzhou Lotus under the New Continuing Connected Transactions Agreements is an invaluable opportunity for the relevant CPP Subsidiaries to secure other major customer which has a retail network in the PRC for its produce. The Directors are also of the view that expansion of the scope of produce supplied by Xianghe Chia Tai to Shanghai Lotus under the Shanghai Lotus Duck and Processed Meat Purchase Agreement to include duck down under the Supplemental Agreement will be of commercial benefit to the business of the Group.

The Directors (including the independent non-executive Directors after taking into account the advice from Kingsway) consider that the terms and the related annual caps of the New Continuing Connected Transactions, the revision of the Existing Annual Caps under the Shanghai Lotus Continuing Connected Transactions and the terms of the Supplemental Agreement are on normal commercial terms, fair and reasonable and in the interest of CPP and its shareholders as a whole.

D. LISTING RULES IMPLICATIONS

The Chearavanont Shareholders, on an aggregate basis, are indirectly interested in approximately 51.43% of the issued share capital of CPP.

LETTER FROM THE BOARD

Mr. Dhanin Chearavanont, including through Ramon Limited, a company in which he has a 50.86% shareholding interest, is interested in approximately 61.71% in aggregate of the issued share capital of CTEI. Accordingly, CTEI is considered to be an associate of the controlling shareholders of CPP and therefore a connected person of CPP for the purposes of Rule 14A.11 of the Listing Rules.

Upon completion of the Lotus-CPF Agreement, Guangzhou Lotus will become a subsidiary of CTEI, which is considered to be an associate of the controlling shareholders of CPP, and therefore will be a connected person of CPP for the purposes of Rule 14A.11 of the Listing Rules. When Guangzhou Lotus has become a connected person of CPP, the New Continuing Connected Transactions will become connected transactions of CPP and the terms and the related annual caps of the New Continuing Connected Transactions will be subject to the Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of Kingsway. Voting on the resolutions to be proposed for this purpose will be conducted by poll at the SGM. Completion of the Lotus-CPF Agreement is conditional upon, among other things, the approval of the independent shareholders of CTEI being obtained at the general meeting of CTEI on a date to be disclosed. As stated in the announcement of CTEI dated 16th September, 2005, completion of the Lotus-CPF Agreement shall take place on or before 30th December, 2005 or any other Business Day as may be agreed between the parties thereto, contemporaneously with the completion of the Fortune Shanghai Agreement (as defined therein). If the Lotus-CPF Agreement fails to be completed, Guangzhou Lotus will not become an associate of a connected person of CPP under the Listing Rules and, none of the transactions entered into with Guangzhou Lotus under the New Continuing Connected Transactions Agreements will become a connected transaction of CPP and therefore will not require the Independent Shareholders' approval.

Mr. Dhanin Chearavanont and his associates are indirectly interested in an aggregate of 46.6% of the issued share capital of C.P. Seven Eleven, and Shanghai Lotus is a subsidiary of C.P. Seven Eleven. Shanghai Lotus is accordingly an associate of Mr. Dhanin Chearavanont and therefore is a connected person of CPP as defined under Rule 14A.11 of the Listing Rules. Pursuant to Rule 14A.36 of the Listing Rules, each of the Revised Annual Caps and the Supplemental Agreement will be subject to the Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of Kingsway. Voting on the resolution to be proposed for this purpose will be conducted by poll at the SGM.

The Chearavanont Shareholders and their respective associates (including CPI Holding Co., Ltd. and Worth Access Trading Limited) will abstain from voting in respect of the ordinary resolutions to be proposed at the SGM to approve the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement.

E. PROPOSED AMENDMENTS TO THE BYE-LAWS

On 19th November, 2004, the Stock Exchange issued the Code on Corporate Governance Practices (the "Code") which came into effect on 1st January, 2005. The Code provides that, among others, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years (A.4.2 of the Code). A new Appendix 23 has been added to the Listing Rules which provides for the requirement for a Corporate Governance Report to be included in annual reports of listed issuers. The Company has reviewed its corporate governance practices with reference to the Code and the Bye-Laws and considers that it is necessary to bring the Bye-Laws in line with the latest amended Listing Rules, in particular, A.4.2 of the Code.

LETTER FROM THE BOARD

To ensure compliance with the latest amended Listing Rules, the Board considers that it is necessary for the Company to amend the Bye-Laws. A special resolution to give effect to the proposed amendments to the Bye-Laws will be proposed at the SGM. Details of the proposed amendments are set out in Appendix I to this circular.

F. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on Wednesday, 30th November, 2005 at 11:30 a.m. is set out on pages 44 to 47 of this circular.

Pursuant to the Bye-law 59 of the Company at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) at least three members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

As indicated above, the chairman of the SGM will demand that a poll be taken in respect of each of the ordinary resolutions to be proposed at the SGM for the approval of the terms and related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong 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 will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

G. RECOMMENDATION

The Independent Board Committee has been established to consider whether the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and Kingsway has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The Independent Board Committee, having taking into account the opinion of Kingsway , considers the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole and, accordingly, recommends the Independent Shareholders to vote in favour of all the relevant ordinary resolutions to be proposed at the SGM.

The Directors consider that the proposed special resolution to amend the Bye-Laws is in the best interest of the Company and the Shareholders as a whole and, accordingly, recommend all Shareholders to vote in favour of the special resolution to be proposed at the SGM.

Yours faithfully,
By Order of the Board
Robert Ping-Hsien Ho
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

27th October, 2005

To the Independent Shareholders

Dear Sir or Madam,

**NEW CONTINUING CONNECTED TRANSACTIONS,
REVISION OF THE EXISTING ANNUAL CAPS
UNDER THE SHANGHAI LOTUS CONTINUING CONNECTED
TRANSACTIONS AND THE SUPPLEMENTAL AGREEMENT**

We have been appointed as the Independent Board Committee to advise you in connection with the terms and the related caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 27th October, 2005 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms and the related annual caps of the New Continuing Connected Transactions, the Revised Annual Caps and the Supplemental Agreement, and the advice of Kingsway in relation thereto as set out on pages 20 to 36 of the Circular, we are of the view that the terms thereof are in the interests of the Company, and viewed as a whole, are fair and reasonable so far as the Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder and the related annual caps, the Revised Annual Caps and the Supplemental Agreement.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Ma Chiu Cheung, Andrew
*Independent Non-executive
Director*

Kowit Wattana
*Independent Non-executive
Director*

Sombat Deo-isres
*Independent Non-executive
Director*

LETTER FROM KINGSWAY

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Kingsway dated 27th October, 2005 prepared for incorporation in this circular.



5/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong.
Tel. No: (852) 2877-1830 Fax: (852) 2868-3570

27th October, 2005

*To the Independent Board Committee and the Independent Shareholders
of C.P. Pokphand Co. Ltd.*

NEW CONTINUING CONNECTED TRANSACTIONS, REVISION OF THE EXISTING ANNUAL CAPS UNDER THE SHANGHAI LOTUS CONTINUING CONNECTED TRANSACTIONS AND THE SUPPLEMENTAL AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (I) the transactions (“New Continuing Connected Transactions”) to be carried out under (1) Chia Tai Food Packaged Food and Poultry Products New Supply Agreement; (2) First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement; and (3) Ningbo Chia Tai Edible Oil New Supply Agreement (collectively, “Agreements”); (II) the increase of the Existing Annual Caps under the Shanghai Lotus Continuing Connected Transactions (“Revision of Annual Caps”); and (III) the Supplemental Agreement (collectively, “Proposed Transactions”), details of which are set out in the “Letter from the Board” contained in the circular issued by the Company to the Shareholders dated 27th October, 2005 (the “Circular”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Board announced that each of Ningbo Oil, Qingdao Chia Tai and Chia Tai Food (collectively, “Relevant Subsidiaries”) entered into the Agreements with Guangzhou Lotus on 9th September, 2005. The Agreements set out the framework which specify the relevant merchandises to be supplied by the Relevant Subsidiaries on an ongoing basis, the key terms and conditions, and the general pricing principles to be followed by Guangzhou Lotus when it places purchase orders from time to time with the Relevant Subsidiaries for the purchase of the relevant merchandises.

LETTER FROM KINGSWAY

According to (i) the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement; (ii) the Shanghai Lotus Duck and Processed Meat Purchase Agreement; and (iii) the respective annual caps for the above two agreements which were together approved by the then Independent Shareholders at the Previous Special General Meeting, Chia Tai Food and Xianghe Chia Tai have agreed to supply the relevant merchandises to Shanghai Lotus on an ongoing basis from 1st January, 2005 to 31st December, 2007.

During the nine months ended 30th September, 2005, the aggregate value of the supply of the relevant merchandises by Chia Tai Food and Xianghe Chia Tai to Shanghai Lotus under the Shanghai Lotus Continuing Connected Transactions almost reached the relevant annual caps for the year ending 31st December, 2005. Therefore, Chia Tai Food and Xianghe Chia Tai propose to increase the Existing Annual Caps. In addition, the Supplemental Agreement was entered into between Shanghai Lotus and Xianghe Chia Tai on 5th October, 2005 to amend the Shanghai Lotus Duck and Processed Meat Purchase Agreement, and include duck down into the list of merchandises to be supplied by Xianghe Chia Tai to Shanghai Lotus.

Given that Guangzhou Lotus and Shanghai Lotus are regarded as the connected persons of the Company within the meanings of the Listing Rules, assuming that the independent shareholders of CTEI approve the Lotus-CPF Agreement which is described in the "Letter from the Board" of the Circular, the Proposed Transactions will be subject to, inter alia, the Independent Shareholders' approval at the SGM. Four members of the Chearavanont family, namely, Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont, and their respective associates (including CPI Holding Co., Ltd. and Worth Access Trading Limited) will abstain from voting in respect of the relevant resolutions at the SGM.

The Board currently comprises twelve executive Directors, namely Mr. Sumet Jiaravanon, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, Mr. Meth Jiaravanont, Mr. Anan Athigapanich, Mr. Damrongdej Chalongphuntarat, Mr. Robert Ping-Hsien Ho, Mr. Bai Shanlin, Mr. Soopakij Chearavanont, Mr. Nopadol Chiaravanont, Mr. Benjamin Jiaravanon and Mr. Narong Chearavanont, and three independent non-executive Directors, namely Mr. Ma Chiu Cheung, Andrew, Mr. Kowit Wattana and Mr. Sombat Deo-isres. The Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Proposed Transactions. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the relevant agreements and the annual caps of the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transactions, we have relied on the information and representations provided to us by the Directors, which the Directors consider to be complete and relevant.

We have also relied on the information and representations contained in the Circular and have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate on the date

LETTER FROM KINGSWAY

of the Circular. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the management of the Company and the Directors, nor have we conducted any independent investigation into the business and affairs of the Group, Guangzhou Lotus and Shanghai Lotus.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transactions, we have considered the principal factors and reasons set out below:

(I) The New Continuing Connected Transactions

(1) Background to and reasons for the New Continuing Connected Transactions

The Group is principally engaged in the trading of agricultural products, feedmill and poultry operations, the production and sale of motorcycles and accessories of automotives and property and investment holding.

Guangzhou Lotus is a holding company of a number of subsidiaries in the PRC which are principally engaged in the business of the supply of food and non-food products through the operation of a total of seven cash-and-carry warehouse stores in Guangzhou, Shantou, Nanhai, Jiangmen and Foshan, all located in the Guangdong province.

Subject to the completion of the Lotus-CPF Agreement, which is conditional upon, among other things, the independent shareholders' approval of CTEI being obtained, Guangzhou Lotus will become an indirect subsidiary of CTEI. Shareholders should note that if the Lotus-CPF Agreement fails to be completed, Guangzhou Lotus would not become a connected person of the Company under the Listing Rules; therefore, none of the transactions entered into with Guangzhou Lotus will become a connected transaction of the Group and therefore will not require the Independent Shareholders' approval.

The Directors consider that the New Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group, and are of the view that the New Continuing Connected Transactions provide invaluable opportunity for the Relevant Subsidiaries to secure purchases from Guangzhou Lotus which have extensive experience and retail network in the PRC.

LETTER FROM KINGSWAY

The management advised us that Ningbo Oil and Qingdao Chia Tai have established a track record in supplying relevant merchandises to Guangzhou Lotus since 2003, and Guangzhou Lotus is one of the major customers of them. Chia Tai Food has commenced to transact with Guangzhou Lotus in March 2005.

Having taken into account that (1) most of the Relevant Subsidiaries have established long-term relationship with Guangzhou Lotus; (2) the transactions contemplated under the Agreements are in line with the existing activities of the Relevant Subsidiaries; and (3) the Agreements have been entered into on a non-exclusive basis, which means that the Relevant Subsidiaries have the flexibility to select any other independent customers, we are of the view that it is justifiable for the Relevant Subsidiaries to continue and maintain the present business relationship with Guangzhou Lotus through the New Continuing Connected Transactions. Shareholders should note that the terms of transactions to be contemplated under the Agreements will be determined by reference to the prevailing market price and demand of the relevant merchandises in the PRC, the production costs of the Relevant Subsidiaries, and will be no less favourable to the Relevant Subsidiaries than those available from independent third parties. Accordingly, we consider that the entering into the Agreements are in the commercial interest of the Company and the Shareholders as a whole.

(2) Terms of the New Continuing Connected Transactions

As set out in the “Letter from the Board” of the Circular, the prices of the relevant merchandises to be supplied under the Agreements are (i) to be determined by reference to the prevailing market price and demand of the relevant merchandises in the PRC and the production costs of the Relevant Subsidiaries (being the suppliers of the relevant merchandises); and (ii) no less favourable to the Relevant Subsidiaries than those available from independent third parties.

The Directors consider that the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As confirmed by the management, the Relevant Subsidiaries do not entered into long-term sales contracts with its independent customers. Instead, the selling prices of the relevant merchandises supplied to independent customers are determined by reference to the prevailing market price when the actual purchase orders are placed.

Given that there is no long-term sales contracts governing the transactions with independent customers in the future, in arriving our advice that the New Continuing Connected Transactions will adopt the same pricing policy as the transaction with independent customers, we primarily based on the management’s confirmation and representation that the future transactions with both Guangzhou Lotus and independent customers will be conducted in the same manner.

LETTER FROM KINGSWAY

We have reviewed samples of contracts of similar transactions entered into between the Relevant Subsidiaries and other independent third parties in September and October 2005, and noted that the price of the relevant merchandises which the Relevant Subsidiaries supplied to other independent third parties were also determined by reference to the prevailing market price when the actual orders were placed, and the selling prices of similar merchandises offered to Guangzhou Lotus and other independent third parties had no material difference.

We also noted that the credit terms offered by the Relevant Subsidiaries to Guangzhou Lotus or other independent third parties varied in the sample contracts that we reviewed. We were informed that the actual credit terms offered by the Relevant Subsidiaries are determined on a case-by-case basis and by reference to the credit terms offered to other independent third parties at the time the relevant purchase orders are placed. As the credit terms offered to independent customers may vary over time, in order to maintain the credit terms of similar transactions offered to both Guangzhou Lotus and other independent third parties will be comparable to each other, no fixed credit terms are specified in the Agreements. Instead, it is stated in the Agreements that the credit terms are up to 60 days, we were advised by the Directors that such credit terms is to provide flexibility to the Relevant Subsidiaries in view of possible changes in credit terms offered to their customers in future. Therefore, we are of the view that both Guangzhou Lotus and independent customers are treated fairly in relation to the credit terms offered by the Relevant Subsidiaries, and the terms of the Agreements, including the credit terms, are fair and reasonable so far as the Independent Shareholders are concerned.

Although the prices of the relevant merchandises are yet to be determined, Shareholders should note that the Agreements do not impose any contractual obligation for the Relevant Subsidiaries. Therefore, the Relevant Subsidiaries are not obliged to supply the relevant merchandises to Guangzhou Lotus in the event that the prices of the relevant merchandises cannot be agreed by the parties to the Agreements at the time the relevant purchase orders are placed.

In this regard, and in particular, the price of the merchandises to be supplied under the Agreements are to be determined by reference to the prevailing market price and demand of the relevant merchandises in the PRC and the production costs of the Relevant Subsidiaries (being the supplier of the relevant merchandises), we are of the view that the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM KINGSWAY

(3) *The annual caps under the New Continuing Connected Transactions*

Set out below are actual transaction value of the New Continuing Connected Transactions during the first nine months of 2005, the related cap amounts during the two months ending 31st December, 2005, annual caps for the year ending 31st December, 2006 (“2006 Cap”) and the year ending 31st December, 2007 (“2007 Cap”):

Category of transactions	Actual transaction amount in the first nine months of 2005 (unaudited) (HK\$'000)	The cap amount for the two months ending 31st December, 2005 (HK\$'000)	2006 Cap (HK\$'000)	2007 Cap (HK\$'000)
Chia Tai Food Packaged Food and Poultry Products New Supply Agreement	748	1,000	6,600	7,260
First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement	12,636	5,200	34,320	37,752
Ningbo Chia Tai Edible Oil New Supply Agreement	10,325	5,000	33,000	36,300
Total:	23,709	11,200	73,920	81,312

(i) The cap amounts for the two months ending 31st December, 2005

(a) Chia Tai Food Packaged Food and Poultry Products New Supply Agreement

The cap amount of Chia Tai Food Packaged Food and Poultry Products New Supply Agreement during the two months ending 31st December, 2005 amounts to approximately HK\$1.0 million or approximately 133.7% of the aggregate transaction amount during the first nine months of 2005.

Shareholders should note that the percentage of cap amount of Chia Tai Food Packaged Food and Poultry Products New Supply Agreement over the actual transaction amount in the first nine months are larger than the other two agreements. As advised by the management, it is partly because Chia Tai Food has commenced to transact with Guangzhou Lotus in March 2005, so the above actual transaction amount only covered the operation result for approximately seven months.

LETTER FROM KINGSWAY

(b) First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement

The cap amount of First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement during the two months ending 31st December, 2005 amounts to approximately HK\$5.2 million or approximately 41.2% of the aggregate transaction amount during the first nine months of 2005.

(c) Ningbo Chia Tai Edible Oil New Supply Agreement

The cap amount of Ningbo Chia Tai Edible Oil New Supply Agreement during the two months ending 31st December, 2005 amounts to approximately HK\$5.0 million or approximately 48.4% of the aggregate transaction amount during the first nine months of 2005.

Based on our discussions with the management, we understand that the above cap amounts during the two months ending 31st December, 2005 are determined mainly by reference to the expected purchase amount provided by Guangzhou Lotus. Further, we were advised by the management that Guangzhou Lotus, in estimating the amount of purchases from the Relevant Subsidiaries, has mainly based on the following factors:

- the aggregate purchase value from the Relevant Subsidiaries in the first nine months of 2005, in particular, the average monthly transaction amounts in August and September 2005. The average monthly transaction amount for (1) Chia Tai Food Packaged Food and Poultry Products New Supply Agreement; (2) First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement; and (3) Ningbo Chia Tai Edible Oil New Supply Agreement in August and September 2005 amounted to approximately HK\$60,000, HK\$1.4 million and HK\$980,000 respectively;
- the historical growth of the New Continuing Connected Transactions, which are analyzed in the paragraph headed “Historical amount of the purchases by Guangzhou Lotus to Ningbo Oil and Qingdao Chia Tai for each of the two years ended 31st December, 2004” below;
- Guangzhou Lotus is expected to continue to increase both in the number of establishments and sales amounts by the end of 2005. Guangzhou Lotus operated a total of seven Lotus supermarkets as at the end of September 2005. It is expected that a total of four new Lotus supermarkets will be opened by the end of 2005.

In addition, the management considers that it is appropriate to set a larger buffer for the cap amount of Chia Tai Food Packaged Food and Poultry Products New Supply Agreement during the two months ending 31st December, 2005 because (i) Chia Tai Food has commenced to transact with Guangzhou Lotus in March 2005, and

LETTER FROM KINGSWAY

the transaction amount fluctuated significantly in the past few months (as evidenced by the transaction amounts in July, August and September 2005 which amounted to approximately HK\$160,000, HK\$120,000 and nil respectively; the management advised that the fluctuation during the period was primarily due to the fact that the transactions have only commenced for a few months and the purchase pattern from Guangzhou Lotus is not stable at this stage); and (ii) the cap amount is relatively small in absolute amount (HK\$1.0 million).

(ii) The 2006 Cap and the 2007 Cap

(a) Chia Tai Food Packaged Food and Poultry Products New Supply Agreement

The 2006 Cap and the 2007 Cap for the Chia Tai Food Packaged Food and Poultry Products New Supply Agreement amount to approximately HK\$6.6 million and HK\$7.3 million respectively.

(b) First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement

The 2006 Cap and the 2007 Cap for the First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement amount to approximately HK\$34.3 million and HK\$37.8 million respectively.

(c) Ningbo Chia Tai Edible Oil New Supply Agreement

The 2006 Cap and the 2007 Cap for the Ningbo Chia Tai Edible Oil New Supply Agreement amount to approximately HK\$33.0 million and HK\$36.3 million respectively.

As illustrated above, the 2006 Cap and the 2007 Cap of the above transactions represent an approximate 10% increase from the previous year. Shareholders should note that the 2006 Cap is calculated based on the annualized cap amounts of the above transactions for the two months ending 31st December, 2005 (the six times of the cap amounts for the two months ending 31st December, 2005). Based on our discussions with the Directors, we understand that the 10% growth in the 2006 Cap and the 2007 Cap are determined mainly by reference to the expected purchase amount provided by Guangzhou Lotus and the expected inflation rate of approximately 4% per annum in the coming two years.

LETTER FROM KINGSWAY

We have also obtained the historical amount of transactions and have discussed with the management of the Company on the underlying basis in determining the related annual caps, which are summarized as below:

(A) *Historical amount of the purchases by Guangzhou Lotus to Ningbo Oil and Qingdao Chia Tai for each of the two years ended 31st December, 2004*

Ningbo Oil and Qingdao Chia Tai have transacted with Guangzhou Lotus since March 2003 and April 2003 respectively. Since then, the transactions between them have grown significantly.

Category of transactions	Actual transaction value in 2003 (audited) (HK\$'000)	Actual transaction value in 2004 (audited) (HK\$'000)	Proposed cap amounts for the two months ending 31st December, 2005 (HK\$'000)	2006 Cap (HK\$'000)	2007 Cap (HK\$'000)
First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement	5,000	11,538	5,200	34,320	37,752
Ningbo Chia Tai Edible Oil New Supply Agreement	2,596	12,981	5,000	33,000	36,300
Total:	<u>7,596</u>	<u>24,519</u>	<u>10,200</u>	<u>67,320</u>	<u>74,052</u>

Note: Chia Tai Food has commenced to transact with Guangzhou Lotus since March 2005.

According to the figures provided by the management, the revenue of Qingdao Chia Tai from the sales to Guangzhou Lotus increased by approximately HK\$6.5 million or 131% from approximately HK\$5.0 million in 2003 to approximately HK\$11.5 million in 2004. The revenue of Ningbo Oil from the sales to Guangzhou Lotus increased by approximately HK\$10.4 million or 400% from HK\$2.6 million in 2003 to approximately HK\$13.0 million in 2004. The management explained that such substantial growth in revenue mainly reflected the increase in the purchase of the relevant merchandises by Guangzhou Lotus which had continuously expanded its scale of operation during the same period. The Directors expect the purchase of the relevant merchandises by Guangzhou Lotus will continue to increase, as more stores are expected to be opened by Guangzhou Lotus.

(B) *The expansion plan of Guangzhou Lotus*

As advised by the management, Guangzhou Lotus operated a total of seven Lotus supermarkets as at the end of September 2005. It is expected that a total of four and eight new Lotus supermarkets will be opened by the end of 2005 and in 2006 respectively. In addition, we are advised by the Directors that it is essential to obtain a sufficiently large

LETTER FROM KINGSWAY

annual cap for each of the New Continuing Connected Transactions in order to meet the demand when opportunities arise.

(C) The possible price increases of the relevant merchandises supplied to Guangzhou Lotus

As mentioned above, the prices of the merchandises to be supplied under the Agreements are to be determined by reference to the prevailing market price which reflect the consumer price index in the PRC.

According to the statistic of the Bureau of Statistics of Guangdong Province, the Guangdong Province's consumer price index (for the category of food) increased by 5.9% year-on-year in July 2005.

To sum up, taking into account of the above, we consider that the caps for the New Continuing Connected Transactions during the two months ending 31st December, 2005 are justifiable because (i) the figures are determined mainly by reference to the expected purchase amount provided by Guangzhou Lotus; (ii) the historical trend of the New Continuing Connected Transactions demonstrates a fast growth and (iii) the demand for relevant merchandises from Guangzhou Lotus is expected to be stimulated by the opening of four and eight new stores by the end of 2005 and in 2006 respectively, and the expected strong demand for the relevant merchandises when Winter Solstice and Chinese New Year approach.

In addition, we also consider that the assumption of the 10% growth of the 2006 Cap and the 2007 Cap over the previous year is reasonable because (i) the management expects that the expansion of the Guangzhou Lotus will continue in the future; (ii) the continuously growing economy and improving living standards in the PRC in the coming few years will stimulate the demand for relevant merchandises; and (iii) the prices of the merchandises may increase in line with the expected moderate increase of consumer price index in the PRC.

In conclusion, we are of the view that the basis of determining the respective annual caps for each of the New Continuing Connected Transactions are fair and reasonable so far as the Company and the Shareholders are concerned.

LETTER FROM KINGSWAY

(II) The increase of the Existing Annual Caps and the Supplemental Agreement

(1) *Background to and reasons for the increase of the Existing Annual Caps and the Supplemental Agreement*

Shanghai Lotus is principally engaged in the operation of large scale cash-and-carry warehouse stores in Shanghai and other localities in the PRC. Shanghai Lotus is a connected person of the Company.

At the Previous Special General Meeting held on 21st April, 2005, the Independent Shareholders approved the relevant subsidiaries of the Company to carry on the Shanghai Lotus Continuing Connected Transactions Agreements, including (i) the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement; and (ii) the Shanghai Lotus Duck and Processed Meat Purchase Agreement, and (iii) the Existing Annual Caps.

According to the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement, Chia Tai Food would supply chicken and processed meat to Shanghai Lotus with effect from 1st January, 2005 to 31st December, 2007. Under the existing annual cap of Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement, the annual value of the purchases of chicken and processed meat by Shanghai Lotus from Chia Tai Food for the three financial years ending 31st December, 2007 would not exceed HK\$25,000,000, HK\$27,500,000 and HK\$30,250,000 respectively.

With reference to the Shanghai Lotus Duck and Processed Meat Purchase Agreement, under which Xianghe Chia Tai would supply duck and processed meat to Shanghai Lotus with effect from 1st January, 2005 to 31st December, 2007, the annual value of the purchases of duck and processed meat by Shanghai Lotus from Xianghe Chia Tai for the three financial years ending 31st December, 2007 would not exceed HK\$2,000,000, HK\$2,200,000 and HK\$2,420,000 respectively.

LETTER FROM KINGSWAY

The table below sets out the transaction amounts of two of the Shanghai Lotus Continuing Connected Transactions for the year ended 31st December, 2004 and the nine months ended 30th September, 2005, and the Existing Annual Caps for the year ending 31st December, 2005:

Category of transactions	Year ended 31st December, 2004 (audited) (HK\$'000)	Nine months ended 30th September, 2005 (unaudited) (HK\$'000)	Existing Annual Caps for the year ending 31st December, 2005 (HK\$'000)
Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement	8,326	24,209	25,000
Shanghai Lotus Duck and Processed Meat Purchase Agreement	N/A	1,615	2,000
Total:	<u>8,326</u>	<u>25,824</u>	<u>27,000</u>

As illustrated above, there was a significant increase in the demand of the relevant merchandises from Shanghai Lotus. For the nine months ended 30th September, 2005, the total value of relevant merchandises sold to Shanghai Lotus by Chia Tai Food and Xianghe Chia Tai amounted to approximately HK\$24.2 million and HK\$1.6 million respectively, which almost reached the existing annual cap of the whole financial year ending 31st December, 2005. In view of the recent surge of the sales volume, and after discussing with the management of Shanghai Lotus of their projected demand, Chia Tai Food and Xianghe Chia Tai propose to increase the Existing Annual Caps. In addition, the Supplemental Agreement was entered into between Shanghai Lotus and Xianghe Chia Tai on 5th October, 2005 to amend the Shanghai Lotus Duck and Processed Meat Purchase Agreement, to include duck down into the list of merchandises to be supplied by Xianghe Chia Tai to Shanghai Lotus.

Shareholders should note that, save for the Revision of the Annual Caps and inclusion of duck down into the list of merchandises to be supplied by Xianghe Chia Tai to Shanghai Lotus, all other terms of (i) the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement, and (ii) Shanghai Lotus Duck and Processed Meat Purchase Agreement remain substantially the same. The Supplemental Agreement and each of the Revised Annual Caps will be subject to Independent Shareholders' approval at the SGM.

LETTER FROM KINGSWAY

(2) *The rationale for determining the Revised Annual Caps*

The following sets out (i) the Existing Annual Caps for the three years ending 31st December, 2007; and (ii) the Revised Annual Caps for the three years ending 31st December, 2007:

The Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement

	The maximum amount of sales from Chia Tai Food to Shanghai Lotus (HK\$'000)	Increase as compared to the previous year (%)
Existing Annual Caps:		
1st January, 2005 – 31st December, 2005	25,000	N/A
1st January, 2006 – 31st December, 2006	27,500	10%
1st January, 2007 – 31st December, 2007	30,250	10%
Total:	<u>82,750</u>	
Revised Annual Caps:		
1st January, 2005 – 31st December, 2005	50,000	N/A
1st January, 2006 – 31st December, 2006	55,000	10%
1st January, 2007 – 31st December, 2007	60,500	10%
Total:	<u>165,500</u>	

LETTER FROM KINGSWAY

The Shanghai Lotus Duck and Processed Meat Purchase Agreement

	The maximum amount of sales from Xianghe Chia Tai to Shanghai Lotus (HK\$'000)	Increase as compared to the previous year (%)
Existing Annual Caps:		
1st January, 2005 – 31st December, 2005	2,000	N/A
1st January, 2006 – 31st December, 2006	2,200	10%
1st January, 2007 – 31st December, 2007	2,420	10%
Total:	<u>6,620</u>	
Revised Annual Caps:		
1st January, 2005 – 31st December, 2005	3,500	N/A
1st January, 2006 – 31st December, 2006	3,850	10%
1st January, 2007 – 31st December, 2007	4,235	10%
Total:	<u>11,585</u>	

As illustrated above, the Revised Annual Caps for (i) the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement; and (ii) the Shanghai Lotus Duck and Processed Meat Purchase Agreement increase by approximately HK\$82.8 million and HK\$5.0 million respectively, compared with the Existing Annual Caps. However, Shareholders should note that the growth rate of the Revised Annual Caps during each of the two years ending 31st December, 2007 remain unchanged from the original 10% growth rate of the Existing Annual Caps. Based on our discussions with the Directors, we understand that the 10% growth in the Revised Annual Cap for 2006 and 2007 are determined mainly by reference to the expected purchase amount provided by Shanghai Lotus and the expected inflation rate of approximately 4% per annum in the coming two years.

As stated in the “Letter from the Board”, the above estimation of the Revised Annual Caps are determined with reference to (i) the recent surge of sales of relevant merchandise to Shanghai Lotus in recent months; (ii) the possible increase in the purchase of the relevant merchandise by Shanghai Lotus; and (iii) the possible price increases in line with consumer prices in the PRC generally.

LETTER FROM KINGSWAY

As advised by the management, the basis of determining the Revised Annual Caps in 2005 is summarized as below:

	(A)	(B)	(C)	(D)=(A)+(B)+(C)
Historical transaction amount during the first nine months of 2005 (unaudited)	Estimated transaction amount for the last three months of 2005 (Note 1)	Estimated buffer (Notes 2 & 3)	Revised Annual Caps in 2005	
Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement	HK\$24.2 million	HK\$16.5 million	HK\$9.3 million	HK\$50 million
Shanghai Lotus Duck and Processed Meat Purchase Agreement	HK\$1.6 million	HK\$1.8 million	HK\$0.1 million	HK\$3.5 million
Total:	<u>HK\$25.8 million</u>	<u>HK\$18.3 million</u>	<u>HK\$9.4 million</u>	<u>HK\$53.5 million</u>

Notes:

1. The estimated monthly transaction amount for the last three months of 2005 is estimated with reference to the average monthly transaction amount in July and August in 2005, representing approximately HK\$5.5 million (Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement) and HK\$600,000 (Shanghai Lotus Duck and Processed Meat Purchase Agreement) respectively.
2. The buffers are estimated by the management taking into accounts (i) a sizeable growth of demand for the relevant merchandises in the last quarter of 2005 as the Winter Solstice and Chinese New Year approach; (ii) the opening of 8 new Lotus supermarkets by Shanghai Lotus by the end of 2005; and (iii) the inclusion of duck down into the list of merchandises supplied by Xianghe Chia Tai.
3. As advised by the management, they estimated the estimated buffer size for (i) the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement; and (ii) the Shanghai Lotus Duck and Processed Meat Purchase Agreement with reference to the expected growth of the transactions. According to the information provided by the management, we note that the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement demonstrated a significant growth in 2004 and the first nine months of 2005. The transaction amount increased by approximately HK\$15.9 million or 191.6% from HK\$8.3 million in 2004 to approximately HK\$24.2 million for the first nine months of 2005. Meanwhile, Xianghe Chia Tai only commenced to supply duck and processed meat to Shanghai Lotus in 2005, and the management expects that the growth of the transaction amounts of Shanghai Lotus Duck and Processed Meat Purchase Agreement will be relatively stable, compared with the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement.

LETTER FROM KINGSWAY

In considering whether the Revised Annual Caps are fair and reasonable, we have considered the following factors:

- As discussed with the management, we understand that the purchase of relevant merchandises from Shanghai Lotus in recent months was beyond the Directors' previous expectation which may be attributable to the customary increase of meat consumption during the Chinese festivals and national holidays in September and October 2005. In addition, the management expects that the purchase of relevant merchandises from Shanghai Lotus for the last quarter of 2005. As advised by the management, we understand that Chinese people consume more meat in winter seasons compared to summers because more celebrations are held around the end of the year, including Winter Solstice and lunar new year. Therefore, Shanghai Lotus is expected to stock up the packaged food before peak season arrives and it will increase the purchase of the relevant merchandise from the Group by the end of 2005. Although these festivals and holidays occur every year, given the purchase of relevant merchandise from Shanghai Lotus in recent nine months was beyond the Directors' previous expectation, the management consider that it is necessary to increase the Existing Annual Caps as the transaction amount in the fourth quarter of 2005 is very likely to be greater than originally expected;
- At the end of September 2005, Shanghai Lotus operated 38 stores in Shanghai and nearby regions. The Directors are advised by Shanghai Lotus that Shanghai Lotus proposes to open additional 8 new stores by the end of 2005;
- As advised by the Directors, the inclusion of duck down into the list of merchandises supplied by Xianghe Chia Tai is one of the reasons for the increase of the Existing Annual Caps. As stated in the "Letter from the Board", Xianghe Chia Tai has since started to supply duck down to Shanghai Lotus. After discussing with the management of Shanghai Lotus, Xianghe Chia Tai anticipated that demand in duck down by Shanghai Lotus, particularly, in the coming winter season, will increase;
- The Revised Annual Caps of 2006 and 2007 represent a moderate growth of 10% as compared to the figures in the previous year, and the growth rate of the Revised Annual Caps during each of the two years ending 31st December, 2007 remain unchanged from the original 10% growth rate of the Existing Annual Caps, and the 10% growth in the Revised Annual Cap of 2006 and 2007 are determined mainly by reference to the expected purchase amount by Shanghai Lotus and the expected inflation rate of approximately 4% per annum in the coming two years;

LETTER FROM KINGSWAY

- As stated in the “Letter from the Board”, the prices of the merchandises to be supplied under the above two agreements are to be determined by reference to the prevailing market price, which reflect the consumer price index in the PRC. According to the statistic of the Bureau of Statistics of Shanghai, the Shanghai’s consumer price index (for the category of food) increased by 5.3% from January 2005 to July 2005; and
- In addition, we are advised by the Directors that it is essential to obtain a sufficiently large annual cap for the above transactions in order to meet the demand when opportunities arise.

Taking into consideration of the above, we consider that the increment and the growth rate of the Revised Annual Caps during each of the three years ending 31st December, 2007 are justifiable, and we are of the view that the basis of determining the Revised Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Proposed Transaction, including the respective annual caps, are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Proposed Transactions and the respective annual caps.

Your faithfully
For and on behalf of
Kingsway Capital Limited
Chu Tat Hoi
Director

Details of the proposed amendments to the Bye-Laws are set out as follows:

1. Bye-law 77

The existing bye-law 77 is proposed to be amended by deleting the existing bye-law 77 in its entirety and replacing it with the following:

“77. Without prejudice to the power of the Company in general meeting in pursuance of any of the provisions of these Bye-Laws to appoint any person to be a Director and subject to the Companies Act, the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or, subject to the number of Directors determined for the time being by the Company in general meeting, as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to their number) and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.” and

2. Bye-law 82

The existing bye-law 82 is proposed to be amended by deleting the existing bye-law 82 in its entirety and replacing it with the following:

“82. Subject to the provisions of Bye-Law 77 and subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office, such that each Director to retire (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting of the Company. A Director retiring at a meeting shall retain office until the close of the meeting.”

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to CPP. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of CPP in shares, underlying shares or debentures of CPP or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to CPP and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by CPP under Section 352 of the SFO or as otherwise notified to CPP and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Long position in shares or underlying shares of CPP

Name of Director	Number of Shares held, capacity and nature of Interest			Approximate percentage of issued share capital of CPP (%)
	Beneficially owned	Through controlled corporation	Total number of Shares in CPP	
Mr. Sumet Jiaravanon	1,004,014,695	–	1,004,014,695	34.74

(ii) Directors' interests in share options granted by CPP

Pursuant to the old share option scheme (the "Old Scheme") adopted on 10th April, 1992 which expired on 10th April, 2002 and the existing share option scheme (the "Existing Scheme") adopted by CPP on 26th November, 2002, certain Directors were granted share options. As at the Latest Practicable Date, the interests of the Directors of CPP in options to subscribe for shares in the capital of CPP under the Old Scheme and the Existing Scheme were as follows:

Name of Directors	Date of Grant	Number of shares issuable upon exercise of options held as at Latest Practicable Date	Price per share to be paid on exercise of options HK\$	Approximate percentage of shareholding (%)
Mr. Dhanin Chearavanont	26th February, 2003	12,800,000	0.3900	0.4429
	3rd May, 2004	12,800,000	0.3900	0.4429
	19th May, 2005	12,000,000	0.3540	0.4153
Mr. Sumet Jiaravanon	26th February, 2003	12,800,000	0.3900	0.4429
	3rd May, 2004	12,800,000	0.3900	0.4429
	19th May, 2005	12,000,000	0.3540	0.4153
Mr. Thanakorn Seriburi	10th August, 1998	17,500,000	0.3875	0.6056
	26th February, 2003	21,584,807	0.3900	0.7469
	3rd May, 2004	20,000,000	0.3900	0.6921
	19th May, 2005	21,000,000	0.3540	0.7267
Mr. Meth Jiaravanont	19th May, 2005	21,000,000	0.3540	0.7267
Mr. Robert Ping-Hsien Ho	26th February, 2003	21,584,807	0.3900	0.7469
	3rd May, 2004	20,000,000	0.3900	0.6921
	19th May, 2005	21,000,000	0.3540	0.7267

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

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of CPP) had the following interests or short positions in shares or underlying shares of CPP which would fall to be disclosed to CPP under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of CPP and its subsidiaries (“the Group”):

Name	Capacity/Nature of Interest	Notes	Number of shares of CPP <i>Note 1</i>	Approximate percentage of issued share capital (%)
Krung Thai Bank Public Company Limited	Person having a security interest in shares	2	1,004,014,695 (L)	34.74
CPI Holding Co., Ltd.	Beneficial owner	3	1,004,014,695 (L and S)	34.74
C.P. Intertrade Co., Ltd.	Interest of a controlled corporation	3	1,004,014,695 (L and S)	34.74
Worth Access Trading Limited	Beneficial owner	4	1,059,190,000 (L)	30.54
Charoen Pokphand Holding Company Limited	Interest of a controlled corporation	4	1,059,190,000 (L)	30.54
Charoen Pokphand Group Company Limited	Interest of a controlled corporation	4	1,059,190,000 (L)	30.54
Mr. Marc Lasry	Interest of controlled corporations	5	147,426,000 (L)	5.10
Ms. Cathy Cohen	Interest of spouse	5	147,426,000 (L)	5.10
Avenue Asia Capital Management Genpar LLC	Interest of controlled corporations	5	147,426,000 (L)	5.10
Avenue Asia Capital Management, L.P.	Interest of controlled corporations	5	147,426,000 (L)	5.10

Notes:

1. The letter “L” denotes a long position whilst the letter “S” denotes a short position.
2. 1,004,014,695 shares were held by Krung Thai Bank Public Company Limited as security.
3. CPI Holding Co., Ltd. beneficially owned 1,004,014,695 shares. It also has a short position in 1,004,014,695 shares. C.P. Intertrade Co., Ltd. has declared an interest in these shares by virtue of its shareholding in CPI Holding Co., Ltd.
4. Worth Access Trading Limited has a long position in 1,059,190,000 shares (including 481,250,000 shares and the subscription rights of 577,940,000 shares attached to the warrants). Charoen Pokphand Holding Company Limited has declared an interest in these same 1,059,190,000 shares by virtue of its shareholding in Worth Access Trading Limited whilst Charoen Pokphand Group Company Limited also declared an interest in such number of shares by virtue of its shareholding in Charoen Pokphand Holding Company Limited.
5. Avenue Asia Capital Management, L.P. beneficially owned 147,426,000 shares. Avenue Asia Capital Management Genpar LLC has declared an interest in these shares by virtue of its shareholding in Avenue Asia Capital Management, L.P. Mr. Marc Lasry has declared an interest in these shares by virtue of its shareholding in Avenue Asia Capital Management Genpar LLC. Ms. Cathy Cohen being the spouse of Mr. Marc Lasry is deemed to be interested in Mr. Marc Lasry’s interests.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of CPP) had an interest or a short position in shares or underlying shares of CPP which would fall to be disclosed to CPP under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

SERVICE CONTRACTS

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

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31st December, 2004 (the date to which the latest published audited consolidated accounts of the Group were made up).

QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualifications	Nature of opinion or advice	Date of opinion
Kingsway	A licensed corporation under the SFO permitted to carry out Type 6 regulated activities (as defined under the SFO)	Letter to the Independent Board Committee and the Independent Shareholders	27th October, 2005

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.

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

GENERAL

- (a) No Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant to the business of the Group taken as a whole.
- (b) Since 31st December, 2004, the date to which the latest published audited consolidated accounts of the Group have been made up, save as disclosed below, none of Kingsway 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 Group.

On 21st June, 2005, Chia Tai (China) Agro-Industrial Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer contract with Chia Tai Biotech Company Limited to dispose of its 50% equity interest in Dong Fang Chia Tai Seed Co. Ltd. for a total consideration of RMB5,055,000 which was received in full. Mr. Sumet Jiaravanon, a director of the Company, has 50% equity interest in Dong Fang Chia Tai Seed Co. Ltd.. The transaction was completed on 14th July, 2005.

- (c) 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 CPP at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong from Tuesday, 15th November, 2005 up to and including Wednesday, 30th November, 2005:

- (1) Chia Tai Food Packaged Food and Poultry Products New Supply Agreement;
- (2) First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement;
- (3) Ningbo Chia Tai Edible Oil New Supply Agreement;
- (4) Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement;
- (5) Shanghai Lotus Duck and Processed Meat Purchase Agreement;
- (6) Supplemental Agreement;
- (7) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (8) the letter from Kingsway, the text of which is set out on pages 20 to 36 of this circular; and
- (9) the written consent from Kingsway referred to in paragraph headed “Qualification and Consent of Expert” in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

NOTICE IS HEREBY GIVEN that a special general meeting of C.P. Pokphand Co. Ltd. (the “Company”) will be held at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on Wednesday, 30th November, 2005 at 11:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions or, as the case may be, special resolution of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

- (i) the agreement dated 9th September, 2005 (the “Chia Tai Food Packaged Food and Poultry Products New Supply Agreement”) entered into between 正大食品企業(上海)有限公司 (Chia Tai Food Product (Shanghai) Co., Ltd.) (“Chia Tai Food”) and 廣州易初蓮花連鎖超市有限公司 (Chia Tai-Lotus (Guangzhou) Investment Company Limited) (“Guangzhou Lotus”), pursuant to which Chia Tai Food has agreed to supply packaged food, poultry products and processed meat, on an ongoing basis, to Guangzhou Lotus, (a copy of which is produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose), the terms of the Chia Tai Food Packaged Food and Poultry Products New Supply Agreement and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company, if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (ii) the proposed annual caps in relation to the transactions under the Chia Tai Food Packaged Food and Poultry Products New Supply Agreement for the two month period of November and December, 2005 and each of the two financial years ending 31st December, 2006 and 31st December, 2007 being HK\$1,000,000, HK\$6,600,000 and HK\$7,260,000, respectively be and are hereby approved.”

NOTICE OF SPECIAL GENERAL MEETING

2. “THAT

- (i) the agreement dated 9th September, 2005 (the “First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement”) entered into between 青島正大有限公司 (Qingdao Chia Tai Company Limited) (“Qingdao Chia Tai”) and 廣州易初蓮花連鎖超市有限公司 (Chia Tai-Lotus (Guangzhou) Investment Company Limited) (“Guangzhou Lotus”), pursuant to which Qingdao Chia Tai has agreed to supply chicken and processed meat, on an ongoing basis, to Guangzhou Lotus, (a copy of which is produced to the meeting marked “B” and initialed by the chairman of the meeting for identification purpose), the terms of the First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company, if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (ii) the proposed annual caps in relation to the transactions under the First Qingdao Chia Tai Chicken and Processed Meat New Supply Agreement for the two month period of November and December, 2005 and each of the two financial years ending 31st December, 2006 and 31st December, 2007 being HK\$5,200,000, HK\$34,320,000 and HK\$37,752,000, respectively be and are hereby approved.”

3. “THAT

- (i) the agreement dated 9th September, 2005 (the “Ningbo Chia Tai Edible Oil New Supply Agreement”) entered into between 寧波正大糧油實業有限公司 (Ningbo Chia Tai Cereal and Oil Industrial Co., Ltd.) (“Ningbo Oil”) and 廣州易初蓮花連鎖超市有限公司 (Chia Tai-Lotus (Guangzhou) Investment Company Limited) (“Guangzhou Lotus”), pursuant to which Ningbo Oil has agreed to supply edible oil, on an ongoing basis, to Guangzhou Lotus, (a copy of which is produced to the meeting marked “C” and initialled by the chairman of the meeting for identification purpose), the terms of the Ningbo Chia Tai Edible Oil New Supply Agreement and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company, if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (ii) the proposed annual caps in relation to the transactions under the Ningbo Chia Tai Edible Oil New Supply Agreement for the two month period of November and December, 2005 and each of the two financial years ending 31st December, 2006 and 31st December, 2007 being HK\$5,000,000, HK\$33,000,000 and HK\$36,300,000, respectively be and are hereby approved.”

NOTICE OF SPECIAL GENERAL MEETING

4. **“THAT** the annual caps under the Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement (as defined in the circular of the Company dated 27th October, 2005 of which this notice forms part) for each of the three financial years ending 31st December, 2005, 31st December, 2006 and 31st December, 2007 be increased to HK\$50,000,000, HK\$55,000,000 and HK\$60,500,000, respectively.”

5. **“THAT** the annual caps under the Shanghai Lotus Duck and Processed Meat Purchase Agreement (as defined in the circular of the Company dated 27th October, 2005 of which this notice forms part) for each of the three financial years ending 31st December, 2005, 31st December, 2006 and 31st December, 2007 be increased to HK\$3,500,000, HK\$3,850,000 and HK\$4,235,000, respectively.”

6. **“THAT** the supplemental agreement dated 9th September, 2005 (the “Supplemental Agreement”) entered into between 上海易初蓮花連鎖超市有限公司 (Shanghai Lotus Supermarket Chain Store Co., Ltd.) and 香河正大有限公司 (Xianghe Chia Tai Co., Ltd.), to amend the Shanghai Lotus Duck and Processed Meat Purchase Agreement (as defined in the circular of the Company dated 27th October, 2005 of which this notice forms part) to include duck down in the types of product to be supplied and purchased thereunder, (a copy of which is produced to the meeting marked “D” and initialed by the chairman of the meeting for identification purpose), the terms of the Supplemental Agreement and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company, if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder.”

SPECIAL RESOLUTION

7. **“THAT** the bye-laws of the Company be amended as follows:
 - (i) Bye-law 77

By deleting bye-law 77 in its entirety and substituting therefor the following:

“Without prejudice to the power of the Company in general meeting in pursuance of any of the provisions of these Bye-Laws to appoint any person to be a Director and subject to the Companies Act, the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or, subject to the number of Directors determined for the time being by the Company in general meeting, as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to their number) and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.”; and

NOTICE OF SPECIAL GENERAL MEETING

(ii) Bye-law 82

By deleting bye-law 82 in its entirety and substituting therefor the following:

“Subject to the provisions of Bye-Law 77 and subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office, such that each Director to retire (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting of the Company. A Director retiring at a meeting shall retain office until the close of the meeting.”

By Order of the Board
Robert Ping-Hsien Ho
Director

Hong Kong, 27th October, 2005

Notes:

1. 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.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
3. Any shareholder entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. Pursuant to the existing Bye-law 59 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (i) by the chairman of the meeting; or (ii) by at least three shareholders of the Company present in person or by proxy and entitled to vote; or (iii) by any shareholder or shareholders of the Company present in person or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all shareholders of the Company having the right to attend and vote at the meeting; or (iv) by any shareholder or shareholders of the Company present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.