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## **C.P. POKPHAND CO. LTD.**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 43)

### **CONTINUING CONNECTED TRANSACTIONS AND REVISED ANNUAL CAPS FOR MASTER BUSINESS CARVE-OUT AGREEMENT**

#### **PROPOSED CONTINUING CONNECTED TRANSACTIONS**

On 18 October 2010, the Company entered into the New Master CPP Supply Agreement with OSIL, the New Master CPP Purchase Agreement with CPT and the Master Lease Agreement with OSIL, respectively. The Continuing Connected Transactions contemplated under these CCT Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules and will take effect subject to and upon receiving approval from the Independent Shareholders at the SGM. In particular, the New Master CPP Supply Agreement and the New Master CPP Purchase Agreement will replace the Existing Master CPP Supply Agreement and the Existing Master CPP Purchase Agreement, respectively.

#### **New Master CPP Supply Agreement**

Pursuant to the New Master CPP Supply Agreement, the CPP Group shall supply to any related entity designated by OSIL, feed-related products produced or procured by the CPP Group, such as animal feed, chlortetracycline, animal drugs and feed raw materials, which may be required by such entity and which the CPP Group may be able to supply.

The pricing terms are determined by reference to the prevailing market prices of, the cost of marketing (if any) and demand for the CPP Supply Products in the PRC, and the sale prices for such products to be sold by the CPP Group to any related entity designated by OSIL shall be no less favourable than those available to the CPP Group from purchasers which are independent third parties.

The Directors consider that the New Master CPP Supply Agreement will enable the CPP Group to expand its already extensive distribution network and strong customer base by securing OSIL Group and its related entities as additional customers for the CPP Group's products. The additional demand for the CPP Group's products generated by the supply of CPP Supply Products under the New Master CPP Supply

Agreement is also expected to further enhance the utilization of the CPP Group's production facilities, including the additional facilities to be leased under the Master Lease Agreement (see below). It is therefore expected that the transactions contemplated under the New Master CPP Supply Agreement will provide a stable and substantial contribution to the turnover and profit of the CPP Group.

### **New Master CPP Purchase Agreement**

Pursuant to the New Master CPP Purchase Agreement, the CPP Group shall purchase from CPT and/or any of its related entities raw materials for the production of animal and aqua feed products and chlortetracycline products, including but not limited to corn, fishmeal, L-Lysine and edible oil and other promotional products, which the CPP Group may require in the normal course of business and which CPT and/or any of its related entities may be able to supply.

The pricing terms are determined on the basis of arm's length negotiations and the purchase prices of the CPP Purchase Products shall not be higher than the prevailing market prices in the PRC, and shall be no less favourable than those available to the CPP Group from suppliers which are independent third parties.

The Directors consider that the New Master CPP Purchase Agreement will enable the CPP Group to secure reliable, diverse and low cost sources of supply of raw materials required by the CPP Group in the production of animal feed, as all of CPT and its related entities are members within the Charoen Pokphand Group which is one of the largest commercial consumers of corn, fish meal, and other feed production raw materials and has strong procurement expertise and extensive bargaining power in feed raw materials and ready access to low-cost, ready sources of supply of such materials, both within China and globally. Also, as certain members of Charoen Pokphand Group hold the necessary import licences to enable them to import feed ingredients into China readily, the CPP Group will benefit from a shorter lead time in the delivery of the feed production materials it requires, thereby reducing its exposure to commodity price risks, and can also thereby extend its procurement strategy to import channels, particularly where import prices are more favourable than domestically sourced raw materials.

The purchase of the relevant raw materials by the CPP Group from members within Charoen Pokphand Group under the New Master CPP Purchase Agreement represents part of the CPP Group's procurement strategy to diversify its international supplier base and expand its raw materials and import channels. CPP Group continues to seek other international suppliers in addition to Charoen Pokphand Group for the supply of raw materials required by the CPP Group by offering similar terms of purchase to such suppliers.

### **Master Lease Agreement**

Pursuant to the Master Lease Agreement, OSIL shall lease or procure the leasing or grant to the CPP Group of the right to use the relevant fixed assets related to feed

production (comprising land, buildings and plant and machinery) located in the PRC which are owned by the OSIL Group and/or its related entities, which the CPP Group will require for its feed production activities and which the OSIL Group and its related entities agree to provide to the CPP Group.

The rental/usage fees are determined based on commercial terms agreed following good faith and arms' length negotiations between the relevant parties, by reference to the depreciation expenses of the OSIL Group and/or its related entities for the relevant fixed assets, the applicable tax costs and expenses and other applicable government levies which may be incurred by the OSIL Group and/or its related entities in relation to such fixed assets, and the rental/usage fees shall be no less favourable than those available to the CPP Group from asset owners who are independent third parties.

The Directors consider that, by the addition to the CPP Group's existing feed production facilities through the leasing of additional facilities owned by the OSIL Group and/or its related entities at locations where the OSIL Group and/or its related entities currently operate animal husbandry businesses, the Master Lease Agreement will enable the CPP Group to expand its feed production scale and total production volume, without incurring any capital expenditure but with the neighbouring animal husbandry businesses representing ready and willing customers of the feed to be produced at these leased facilities, with the potential of contributing up to RMB1,747.8 million (approximately HK\$2,009 million) towards the CPP Group's revenue for 2011. Also, the fixed assets to be rented by the CPP Group under the Master Lease Agreement are expected to be chosen taking into account their strategic locations which will be complementary to the locations of the existing feed production facilities of the CPP Group.

#### **REVISED ANNUAL CAPS FOR MASTER BUSINESS CARVE-OUT AGREEMENT**

Reference is made to the announcement and the circular of the Company dated 11 December 2009 and 31 December 2009, respectively relating to, inter alia, the Master Business Carve-out Agreement.

At the time the annual caps for the transactions under the Master Business Carve-out Agreement were proposed, the construction of a poultry (layer) farm at a subsidiary of the CPP Group located at Changji, Xinjiang Autonomous Region in the PRC was in progress. As the construction is expected to be completed by the end of 2010, it is proposed that the newly completed non-feed production facilities of this subsidiary be included in the facilities to be leased to the OSIL Group with effect from 1 January 2011, resulting in the total rental/fee payable to the CPP Group exceeding the previously approved annual caps in respect of the financial years ending 31 December 2011 and 31 December 2012. It is proposed that the Revised Annual Caps for the annual rental/fee payable to the CPP Group by the OSIL Group under the Master Business Carve-out Agreement for each of the financial years ending 31 December 2011 and 31 December 2012 are RMB25.9 million (approximately HK\$29.8 million)

and RMB28.0 million (approximately HK\$32.2 million). The incremental change of the annual caps is RMB1.2 million (approximately HK\$1.4 million) and RMB1.3 million (approximately HK\$1.5 million) for the financial year ending 31 December 2011 and 31 December 2012, respectively.

The Revised Annual Caps will enable the fixed assets of the CPP Group (comprising land, buildings and plant and machinery) located at Changji, Xinjiang Autonomous Region in the PRC which is expected to be completed by the end of 2010, to be rented by the OSIL Group for its non-feed production activities. As no commercial activities are planned to be conducted by the CPP Group at the non-feed production facilities after their completion, such facilities would remain idle and would not generate any income for the relevant subsidiary despite the capital expenditure already incurred, if not rented to the OSIL Group. The Directors consider that the Revised Annual Caps which will need to be in place to allow the relevant newly completed non-feed production facilities to be included in the facilities to be rented to the OSIL Group under the Master Business Carve-out Agreement will enable the CPP Group include the newly completed facilities in the existing leasing arrangements and thereby to increase its income.

## **LISTING RULES IMPLICATIONS**

### **Continuing Connected Transactions and Revised Annual Caps**

As the relevant percentage ratios for the annual caps of each of the CCT Agreements and the Revised Annual Caps are more than 5%, the transactions contemplated under the CCT Agreements and the Revised Annual Caps constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

### **Independent Shareholders' Approval and Independent Board Committee**

The Company will convene an SGM to seek, amongst other things, the approval of the Independent Shareholders in respect of the Continuing Connected Transactions (including the proposed annual caps) and the Revised Annual Caps.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions (including the proposed annual caps) and the Revised Annual Caps and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Continuing Connected Transactions (including the proposed annual caps) and the Revised Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole.

### **Circular**

A circular containing, among other things, (i) further information on the Continuing Connected Transactions (including the proposed annual caps) and the Revised

Annual Caps; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the proposed annual caps); (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the SGM will be dispatched to the Shareholders as soon as practicable pursuant to the requirements under the Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS**

### **1. NEW MASTER CPP SUPPLY AGREEMENT**

**(a) Date**

18 October 2010

**(b) Parties**

- (i) The Company (as supplier)
- (ii) OSIL (as purchaser)

**(c) Subject matter**

Supply of various feed-related products produced or procured by the CPP Group, such as animal feed, chlortetracycline, animal drugs and feed raw materials to any related entity designated by OSIL, which may be required by such entity and which the CPP Group may be able to supply.

**(d) Price**

To be determined by reference to the prevailing market prices of, the cost of marketing (if any) and demand for the CPP Supply Products in the PRC, and the sale prices for such products to be sold by the CPP Group to any related entity designated by OSIL shall be no less favourable than those available to the CPP Group from purchasers which are independent third parties.

**(e) Payment terms**

Credit terms of up to 60 days, or other generally accepted market terms from time to time. 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.

**(f) Term**

The New Master CPP Supply Agreement shall take effect from the date of approval by the Independent Shareholders and continue until 31 December 2012. The New Master CPP Supply Agreement is subject to the approval of the Independent Shareholders.

**(g) Annual caps**

The proposed annual cap for the supply of the CPP Supply Products by the CPP Group to OSIL related entities for each of the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 is RMB3,025.5 million (approximately HK\$3,477.6 million), RMB6,246.2 million (approximately HK\$7,179.5 million) and RMB9,151.4 million (approximately HK\$10,518.9 million), respectively. These caps are larger than the caps for the corresponding years for transactions under the Existing Master CPP Supply Agreement, which were approved by the Independent Shareholders at the Previous SGM in view of the expansion of feed production scale and total production volume through the leasing of additional feed production facilities owned by the OSIL Group and/or its related entities under the Master Lease Agreement. Upon its becoming effective, the New Master CPP Supply Agreement will replace the Existing Master CPP Supply Agreement. As the New Master CPP Supply Agreement is expected to become effective some time in the course of the financial year ending 31 December 2010, the annual cap for the financial year ending 2010 will be the prorated portion of the full amount proposed for that year representing the remaining part of the financial year calculated on a day-to-day basis from the date on which the New Master CPP Supply Agreement becomes effective until 31 December 2010.

The proposed annual caps have been determined by reference to: (i) the value of the historical sales of the CPP Supply Products by the CPP Group to OSIL related entities for the eight months ended 31 August 2010; (ii) the prevailing market prices of the CPP Supply Products; (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future; (iv) the expected increase in demand for the CPP Supply Products during the relevant period due to the expected expansion of the scope of products and the production capacity of the CPP Group; and (v) internal projection of the expected sales volume of the CPP Supply Products based on the above factors. The proposed annual cap for each of 2011 and 2012 represents an approximately 106.5% and 46.5% increment over that of the previous year. Information on the historical transactions between the CPP Group and OSIL related entities in relation to the supply of the CPP Supply Products for the years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 is RMB771.3 million (approximately HK\$886.6 million), RMB1,141.2 million (approximately HK\$1,311.7 million), RMB1,372.3 million (approximately HK\$1,577.4 million) and RMB1,320.2 million (approximately HK\$1,517.8 million), respectively.

## **2. NEW MASTER CPP PURCHASE AGREEMENT**

### **(a) Date**

18 October 2010

### **(b) Parties**

(i) The Company (as purchaser)

(ii) CPT (as supplier)

### **(c) Subject matter**

Purchase of raw materials for the production of animal and aqua feed products and chlortetracycline products, including but not limited to corn, fishmeal, L-Lysine and edible oil and such other promotional products, by the CPP Group which the CPP Group may require in the normal course of business and which CPT and/or any of its related entities may be able to supply.

### **(d) Price**

To be determined on the basis of arm's length negotiations and the purchase prices of the CPP Purchase Products shall not be higher than the prevailing market prices in the PRC, and shall be no less favourable than those available to the CPP Group from suppliers which are independent third parties.

### **(e) Payment terms**

Credit terms of up to 60 days, or other generally accepted market terms from time to time. 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.

### **(f) Term**

The New Master CPP Purchase Agreement shall take effect from the date of approval by the Independent Shareholders and continue until 31 December 2012. The New Master CPP Purchase Agreement is subject to the approval of the Independent Shareholders.

### **(g) Annual caps**

The proposed annual cap for the purchase of the CPP Purchase Products by the CPP Group from CPT and/or its related entities for each of the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 is RMB2,170.2 million (approximately HK\$2,494.5 million), RMB2,569.5 million (approximately HK\$2,953.4 million) and RMB2,954.1 million (approximately HK\$3,395.5 million), respectively. These caps are substantially larger than the caps for the corresponding years for the

transactions under the Existing Master CPP Purchase Agreement, which were approved by the Independent Shareholders at the Previous SGM, as the types of CPP Purchase Products which the CPP Group may purchase under the New Master CPP Purchase Agreement are substantially broader than the products to be purchased by the CPP Group under the Existing Master CPP Purchase Agreement. The New Master CPP Purchase Agreement covers major raw materials for feed such as corn and fishmeal while the Existing Master CPP Purchase Agreement restricts to L-Lysine, and edible oil only. Upon its becoming effective, the New Master CPP Purchase Agreement will replace the Existing Master CPP Purchase Agreement. As the New Master CPP Purchase Agreement is expected to become effective some time in the course of the financial year ending 31 December 2010, the annual cap for the financial year ending 2010 will be the prorated portion of the full amount proposed for that year representing the remaining part of the financial year calculated on a day-to-day basis from the date on which the New Master CPP Purchase Agreement becomes effective until 31 December 2010.

The proposed annual caps have been determined by reference to: (i) internal projection of the expected purchase volume of the CPP Purchase Products based on the factors as set out below; (ii) the prevailing market prices of the CPP Purchase Products; (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future; and (iv) the expected demand for the relevant products by the CPP Group over the period due to potential growth of the production capacity of the CPP Group. The proposed annual cap for each of 2011 and 2012 represents an approximately 18.4% and 15.0% increment over that of the previous year.

### **3. MASTER LEASE AGREEMENT**

**(a) Date**

18 October 2010

**(b) Parties**

(i) OSIL (as provider)

(ii) The Company (as operator)

**(c) Subject matter**

Lease and/or use of relevant fixed assets related to feed production (comprising land, buildings and plant and machinery) located in the PRC which are owned by the OSIL Group and/or its related entities and which the CPP Group will require for its feed production activities.



**(d) Rental/usage fees**

To be determined based on commercial terms agreed following good faith and arms' length negotiations between the relevant parties, by reference to the depreciation expenses of the OSIL Group and/or its related entities for the relevant fixed assets, the applicable tax costs and expenses and other applicable government levies which may be incurred by the OSIL Group and/or its related entities in relation to such fixed assets, and the rental/usage fees shall be no less favourable than those available to the CPP Group from asset owners who are independent third parties. Each specific lease/usage arrangement relating to a particular location shall be governed by a separate lease/contract arrangement. The OSIL Group and/or its related entities shall bear all risks/liabilities associated with the relevant fixed assets and shall be responsible for the maintenance and management of the relevant fixed assets.

**(e) Payment terms**

To be paid monthly in arrears. Payment shall be made by telegraphic transfer, bank issued bills payable within three months or other payment methods acceptable in the PRC.

**(f) Term**

The Master Lease Agreement shall take effect from the date of approval by the Independent Shareholders and continue until 31 December 2012. The Master Lease Agreement is subject to approval of the Independent Shareholders.

**(g) Annual caps**

The maximum aggregate annual rental/fee payable by the CPP Group to the OSIL Group and/or its related entities under the Master Lease Agreement during its term will not exceed RMB5.3 million (approximately HK\$6.1 million), RMB25.8 million (approximately HK\$29.7 million) and RMB26.4 million (approximately HK\$30.3 million) for the two months ending 31 December 2010, and each of the financial years ending 31 December 2011 and 31 December 2012, respectively. As the Master Lease Agreement is expected to become effective some time in the course of the financial year ending 31 December 2010, the annual cap for the financial year ending 2010 will be the prorated portion of the full amount proposed for the two-month period ending 31 December 2010, representing the remaining part of such two-month period calculated on a day-to-day basis from the date on which the Master Lease Agreement becomes effective until 31 December 2010.

The proposed annual caps have been determined by reference to the annual depreciation expenses and the provision for possible annual increase in government levy.

## **REVISED ANNUAL CAPS FOR MASTER BUSINESS CARVE-OUT AGREEMENT**

### **Original annual caps**

As approved in the Previous SGM, the annual caps for the aggregate annual rental/fee payable to the CPP Group by the OSIL Group under the Master Business Carve-out Agreement during its term are RMB22.9 million (approximately HK\$26.3 million), RMB24.7 million (approximately HK\$28.4 million) and RMB26.7 million (approximately HK\$30.7 million) for the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012, respectively.

### **Revised Annual Caps**

At the time the annual caps for the transactions under the Master Business Carve-out Agreement were proposed, the construction of a poultry (layer) farm at a subsidiary of the CPP Group located at Changji, Xinjiang Autonomous Region in the PRC was in progress. As the construction is expected to be completed by the end of 2010, the non-feed production facilities would have to be included in the facilities to be leased to the OSIL Group with effect from 1 January 2011 resulting in the total rental/fee payable to the CPP Group exceeding the previously approved annual caps in respect of the financial years ending 31 December 2011 and 31 December 2012. The Revised Annual Caps proposed for the annual rental/fee payable to the CPP Group by the OSIL Group under the Master Business Carve-out Agreement for each of the financial years ending 31 December 2011 and 31 December 2012 are RMB25.9 million (approximately HK\$29.8 million) and RMB28.0 million (approximately HK\$32.2 million) and they will replace the original annual caps approved in the Previous SGM in respect of the financial years ending 31 December 2011 and 31 December 2012. The incremental change of the annual caps is RMB1.2 million (approximately HK\$1.4 million) and RMB1.3 million (approximately HK\$1.5 million) for the financial year ending 31 December 2011 and 31 December 2012, respectively.

The proposed Revised Annual Caps have been determined by reference to: (i) consumer price index; (ii) the provision for possible annual increase in government levy; and (iii) the recent completion of the construction of the fixed assets of the CPP Group (comprising land, buildings and plant and machinery) located at Changji, Xinjiang Autonomous Region in the PRC, of which the OSIL Group will require to rent for its non-feed production activities, being additional lease arrangement not be able to ascertain when the Master Business Carve-out Agreement was entered into by the parties thereto.

## **INFORMATION ON THE PARTIES**

The CPP Group is principally engaged in the operation of feedmills for the production and sale of feed products. Additionally, the CPP Group is also involved in various other relatively smaller businesses, including the production and sale of chlortetracycline products and through its jointly controlled entities, in the manufacturing and sale of motorcycles, the sale of Caterpillar machinery, and manufacturing and sale of carburetors and automobile accessories.

OSIL is an investment holding company and indirectly wholly-owned by CPG, an investment holding vehicle of the Chearavanont family in which the Chearavanont Shareholders directly own in aggregate a majority 51.31% equity interest.

CPT is wholly-owned by C.P. Intertrade Co, Ltd, which is owned as to 51.31% by the Chearavanont Shareholders and is principally involved in the business of trading and commodities.

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Directors consider that the New Master CPP Supply Agreement will enable the CPP Group to expand its already extensive distribution network and strong customer base by securing OSIL Group and its related entities as additional customers for the CPP Group's products. The additional demand for the CPP Group's products generated by the supply of CPP Supply Products under the New Master CPP Supply Agreement is also expected to further enhance the utilization of the CPP Group's production facilities, including the additional facilities to be leased under the Master Lease Agreement. It is therefore expected that the transactions contemplated under the New Master CPP Supply Agreement will provide a stable and substantial contribution to the turnover and profit of the CPP Group.

The Directors also consider that the New Master CPP Purchase Agreement will enable the CPP Group to secure reliable, diverse and low cost sources of supply of raw materials required by the CPP Group in the production of animal feed, as all of CPT and its related entities are members within the Charoen Pokphand Group which is one of the largest commercial consumers of corn, fish meal, and other feed production raw materials and has strong procurement expertise and extensive bargaining power in feed raw materials and ready access to low-cost, ready sources of supply of such materials, both within China and globally. Also, as certain members of Charoen Pokphand Group hold the necessary import licences to enable them to import feed ingredients into China readily, the CPP Group will benefit from a shorter lead time in the delivery of the feed production materials it requires, thereby reducing its exposure to commodity price risks and can also thereby extend its procurement strategy to import channels, particularly where import prices are more favourable than domestically sourced raw materials.

The purchase of the relevant raw materials by the CPP Group from members within Charoen Pokphand Group under the New Master CPP Purchase Agreement represents part of the CPP Group's procurement strategy to diversify its international supplier base and expand its raw materials and import channels. CPP Group continues to seek other international suppliers in addition to Charoen Pokphand Group for the supply of raw materials required by the CPP Group by offering similar terms of purchase to such suppliers.

The Directors consider that, by the addition to the CPP Group's existing feed production facilities through the leasing of additional facilities owned by the OSIL Group and/or its related entities at locations where the OSIL Group and/or its related entities currently

operate animal husbandry businesses, the Master Lease Agreement will enable the CPP Group to expand its feed production scale and total production volume, without incurring any capital expenditure but with the neighbouring animal husbandry businesses representing ready and willing customers of the feed to be produced at these leased facilities, with the potential of contributing up to RMB1,747.8 million (approximately HK\$2,009 million) towards the CPP Group's revenue for 2011. Also, the fixed assets to be rented by the CPP Group under the Master Lease Agreement are expected to be chosen taking into account their strategic locations which will be complementary to the locations of the existing feed production facilities of the CPP Group.

The Revised Annual Caps will enable the fixed assets of the CPP Group (comprising land, buildings and plant and machinery) located at Changji, Xinjiang Autonomous in the PRC which is expected to be completed by the end of 2010, to be rented by the OSIL Group for its non-feed production activities. As no commercial activities are planned to be conducted by the CPP Group at the non-feed production facilities after their completion, such facilities would remain idle and would not generate any income for the relevant subsidiary despite the capital expenditure already incurred, if not rented to the OSIL Group. The Directors consider that the Revised Annual Caps which will need to be in place to allow the relevant newly completed non-feed production facilities to be included in the facilities to be rented to the OSIL Group under the Master Business Carve-out Agreement will enable the CPP Group include the newly completed facilities in the existing leasing arrangements and thereby to increase its income.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the proposed terms of the transactions under the CCT Agreements (including the respective annual caps) and the Revised Annual Caps, are on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

OSIL beneficially owns approximately 53.19% of the Shares in issue. CPT is a wholly-owned subsidiary of C.P. Intertrade Co., Ltd. which indirectly beneficially owns 8.66% of the Shares in issue. Each of C.P. Intertrade Co., Ltd. and the company of which OSIL is a wholly-owned subsidiary is owned as to approximately 51.31% in the aggregate by the Chearavanont Shareholders. Hence, each of OSIL and CPT is a connected person of the Company within the meaning of the Listing Rules.

The transactions under the CCT Agreements constitute continuing connected transactions under the Listing Rules. As the relevant percentage ratios for the annual caps of the CCT Agreements and the Revised Annual Caps are more than 5%, the transactions contemplated under the CCT Agreements and the Revised Annual Caps constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and 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 an independent financial adviser.

## **SPECIAL GENERAL MEETING**

The SGM will be convened as soon as practicable at which resolutions will be proposed to approve the Continuing Connected Transactions (including the proposed annual caps) and the Revised Annual Caps, and the ancillary transactions contemplated thereunder. The Chearavanont Shareholders, and their respective associates will abstain from voting at the SGM in respect of the resolutions on these matters.

## **GENERAL**

The Independent Board Committee of the Company has been constituted to consider the terms of the Continuing Connected Transactions under the CCT Agreements and the Revised Annual Caps and to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the resolutions regarding the aforesaid. Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul have been appointed by the Board to serve as members of the Independent Board Committee.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated in the Continuing Connected Transactions under the CCT Agreements and the Revised Annual Caps.

A circular containing, among other things, (i) further information on the Continuing Connected Transactions and the Revised Annual Caps; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the Revised Annual Caps; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the SGM will be dispatched to Shareholders as soon as practicable pursuant to the requirements under the Listing Rules. As more time is required to prepare and finalise the information to be contained in the circular, including but not limited to, the advice from the independent financial adviser, the circular will not be despatched to the Shareholders within 15 business days after the publication of this announcement pursuant to Rule 14A.56(10), that is, on or before 8 November 2010, but will be postponed to the date on or before 15 November 2010.

## DEFINITIONS

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

“associates”	has the meaning ascribed to this term in the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, a Sunday or a day on which typhoon signal no. 8 or a “black” rainstorm warning is hoisted in Hong Kong) on which banks are generally open for business in Hong Kong
“CCT Agreements”	collectively, the New Master CPP Supply Agreement, the New Master CPP Purchase Agreement and the Master Lease Agreement
“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 directly and indirectly interested in approximately 66% of the Shares in issue
“Continuing Connected Transactions”	the continuing connected transactions under the CCT Agreements
“Company” or “CPP”	C.P. POKPHAND CO. LTD., an exempted company incorporated in Bermuda whose Shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
“CPG”	Charoen Pokphand Group Company Limited, a company organized and existing under the laws of the Kingdom of Thailand and owned as to 51.31% by the Chearavanont Shareholders
“CPP Group”	CPP and its subsidiaries, jointly-controlled entities and associated company from time to time
“CPP Purchase Products”	the products to be purchased by the CPP Group from CPT and/or its related entities under the New Master CPP Purchase Agreement

“CPP Supply Products”	the products to be supplied by the CPP Group under the New Master CPP Supply Agreement
“CPT”	C.P. Trading Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“CPT Group”	CPT and its subsidiaries, jointly controlled entities and associated companies from time to time
“Directors”	the directors of the Company
“Existing Master CPP Purchase Agreement”	the conditional purchase agreement dated 11 December 2009 made between the Company and OSIL for the purchase of L-Lysine and edible oil from the OSIL Group by the CPP Group
“Existing Master CPP Supply Agreement”	the conditional supply agreement dated 11 December 2009 made between the Company and OSIL for the supply of feed-related products by the CPP Group to the OSIL Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising the Company’s independent non-executive Directors, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul, which has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions (including the proposed annual caps) and the Revised Annual Caps
“Independent Shareholders”	Shareholders other than the Chearavanont Shareholders and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Business Carve-out Agreement”	the conditional agreement dated 11 December 2009 made between the Company as provider and OSIL as operator for the lease and/or use of relevant fixed assets in the PRC which remain on the books of the CPP Group and which the OSIL Group will require for its non-feed production activities on an ongoing basis

“Master Lease Agreement”	the conditional agreement dated 18 October 2010 made between OSIL as provider and the Company as operator for the lease and/or use of relevant fixed assets (comprising land, buildings and plant and machinery) located in the PRC which are owned by the OSIL Group and/or its related entities and which the CPP Group will require for its feed production activities
“New Master CPP Purchase Agreement”	the conditional agreement dated 18 October 2010 made between the Company as purchaser and CPT as supplier for the purchase from CPT and/or any of its related entities raw materials and other promotional products which the CPP Group may require in the normal course of business
“New Master CPP Supply Agreement”	the conditional agreement dated 18 October 2010 made between the Company as supplier and OSIL as purchaser for the supply of feed-related products produced or procured by the CPP Group to any related entities designated by OSIL
“OSIL”	Orient Success International Limited, a company incorporated in the British Virgin Islands with limited liability
“OSIL Group”	OSIL and its subsidiaries, jointly controlled entities and associated companies from time to time
“PRC”	the People’s Republic of China excluding for this purpose, Hong Kong, the Macau Special Administrative Region and Taiwan
“Premises and Facilities”	the relevant fixed assets (comprising land, buildings and plant and machinery) located in the PRC which are owned by the OSIL Group and/or its related entities and which the CPP Group will require for its feed production activities
“Previous SGM”	the special general meeting of the Company held on 25 January 2010



“related entities”	<p>(a) in the case of the New Master CPP Supply Agreement and the Master Lease Agreement, collectively, the OSIL Group, or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or is a fellow holding company of any such holding company or fellow holding company or one in the equity capital of which it and/or such other company or companies and/or the Chearavanont Shareholders taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors, as may be designated by OSIL from time to time; or</p> <p>(b) in the case of the New Master CPP Purchase Agreement, collectively, the CPT Group, or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or is a fellow holding company of any such holding company or fellow holding company or one in the equity capital of which it and/or such other company or companies and/or the Chearavanont Shareholders taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors, as may be designated by CPT from time to time</p>
“Revised Annual Cap(s)”	the revised annual caps for the Master Business Carve-out Agreement for the financial years ending 31 December 2011 and 31 December 2012
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of Shares from time to time
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the CCT Agreements, the respective transactions contemplated thereunder (including the respective proposed annual caps) and the Revised Annual Caps

“Shares”	ordinary shares of US\$0.01 each in the capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America

By Order of the Board  
**Robert Ping-Hsien Ho**  
*Director*

*Note: For the purpose of this announcement, the following exchange rates have in general been used for the conversion of US\$ and RMB into HK\$ for indication only:*

*US\$1.00 = HK\$7.8*

*HK\$1.00 = RMB0.87*

Hong Kong, 18 October 2010

*As at the date of this announcement, the Board comprises eight executive Directors, namely, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, Mr. Soopakij Chearavanont, Mr. Anan Athigapanich, Mr. Damrongdej Chalongphuntarat, Mr. Bai Shanlin, Mr. Suphachai Chearavanont and Mr. Robert Ping-Hsien Ho, two non-executive Directors, namely Mr. Meth Jiaravanont and Mr. Patrick Thomas Siewert (Mr. Poon Yee Man Alwin as alternate Director), and three independent non-executive Directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul.*