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

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE NEW LOAN AGREEMENT**

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



CIMB Securities (HK) Limited

A letter from the Board is set out on pages 4 to 7 of this circular. A letter from the Independent Board Committee and a letter from the independent financial adviser, CIMB Securities (HK) Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 8 and pages 9 to 14 of this circular respectively.

16 May 2011

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DEFINITIONS

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

“Board”	the board of Directors
“CCFL”	卡特彼勒（中國）融資租賃有限公司（Caterpillar (China) Financial Leasing Co., Ltd.), a company incorporated in the PRC and a party independent of the Company and its connected persons and who is not a connected person of the Company
“Chearavanont Shareholders”	four members of the Chearavanont family, namely, Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont, who, on an aggregate basis, are directly and indirectly interested in approximately 70.86% of the issued share capital of the Company
“CIMB”	CIMB Securities (HK) Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) 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 provision of the New Loan under the New Loan Agreement
“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 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% of the Chearavanont Shareholders
“CPI Holding”	CPI Holding Co., Ltd., a company incorporated in the British Virgin Islands and wholly-owned by a company which is held as to 51.31% of its issued share capital by the Chearavanont Shareholders
“Directors”	the directors of the Company
“ECI Metro”	ECI Metro Investment Co. Ltd., a company incorporated in the British Virgin Islands, in which the Company holds a 50% indirect equity interest through its wholly-owned subsidiary
“ECI Metro Group”	ECI Metro and its wholly-owned subsidiaries

DEFINITIONS

“EKCM”	Ek Chor China Motorcycle Co. Ltd., a company incorporated in Bermuda and a wholly-owned subsidiary of the Company
“Existing Loan”	the loan in the principal amount of up to US\$29,000,000 (or its equivalent in RMB) lent or procured by EKCM to ECI Metro under the Existing Loan Agreement and was due to expire on 19 April 2011
“Existing Loan Agreement”	the loan agreement dated 19 April 2010 entered into between EKCM and ECI Metro in respect of the provision of the Existing Loan
“Group”	the Company and its subsidiaries
“Guaranty”	the guarantee (as amended by the Second Amendment Deed) entered into by EKCM in favour of CCFL, guaranteeing certain indebtedness of the ECI Metro Group up to the maximum amount of US\$50.55 million
“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 board committee appointed by the Board, comprising the independent non-executive Directors, to advise the Independent Shareholders in relation to the New Loan
“Independent Shareholder(s)”	Shareholders who would not be required to abstain from voting at a general meeting of the Company to approve the New Loan Agreement
“Latest Practicable Date”	11 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Metro Tractor”	Metro Tractor Co., Ltd., a company incorporated in Thailand which holds a 50% equity interest in ECI Metro
“New Loan”	the new loan in the principal amount of up to US\$29,000,000 (or its equivalent in RMB) to be lent or procured by EKCM to ECI Metro under to New Loan Agreement

DEFINITIONS

“New Loan Agreement”	the new loan agreement dated 19 April 2011 entered into between EKCM and ECI Metro in respect of the provision of the New Loan
“OSIL”	Orient Success International Limited, a company incorporated in the British Virgin Islands and wholly-owned by a company which is indirectly held as to 51.31% of its issued share capital by the Chearavanont Shareholders
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Second Amendment Deed”	the amendment deed to the Guaranty entered into on 14 March 2011 executed by EKCM in favour of CCFL
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States
“Worth Access”	Worth Access Trading Limited, a company incorporated in the British Virgin Islands and wholly-owned by a company which is indirectly held as to 51.31% of its issued share capital by the Chearavanont Shareholders

LETTER FROM THE BOARD



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

Executive Directors:

Mr. Dhanin Chearavanont (*Chairman*)

Mr. Thanakorn Seriburi

Mr. Soopakij Chearavanont

Mr. Anan Athigapanich

Mr. Damrongdej Chalongsuntarat

Mr. Bai Shanlin

Mr. Suphachai Chearavanont

Mr. Robert Ping-Hsien Ho

Non-executive Directors:

Mr. Meth Jiaravanont

Mr. Patrick Thomas Siewert

Mr. Poon Yee Man Alwin

(alternate to Mr. Patrick Thomas Siewert)

Independent non-executive Directors:

Mr. Ma Chiu Cheung, Andrew

Mr. Sombat Deo-isres

Mr. Sakda Thanitcul

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal office in Hong Kong:

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

16 May 2011

To the Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE NEW LOAN AGREEMENT

A. INTRODUCTION

Reference is made to the announcement of the Company dated 19 April 2011 in relation to the provision of the New Loan by EKCM, a wholly-owned subsidiary of the Company, to ECI Metro under the New Loan Agreement.

The purpose of this circular is to give Shareholders further information on the terms of the New Loan Agreement and to provide Shareholders with such information concerning the Company as is required by the Listing Rules.

LETTER FROM THE BOARD

B. THE NEW LOAN AGREEMENT

(a) Date

19 April 2011

(b) Parties

Lender: EKCM, a wholly-owned subsidiary of the Company; and

Borrower: ECI Metro, a jointly-controlled entity of the Company, in which EKCM holds an indirect 50% equity interest.

(c) Details of the New Loan

Under the New Loan Agreement, EKCM will lend, or procure its direct or indirect subsidiaries or a third party to lend to ECI Metro the principal amount of up to US\$29,000,000 (or its equivalent in RMB) in cash, at a rate per annum equal to the prime rate of interest published by the People's Bank of China on the draw down date for RMB borrowings of one-year multiplied by 1.1 (subject to any adjustment to be mutually agreed). The interest rate for the New Loan was determined after arm's length negotiation between EKCM and ECI Metro with reference to the prevailing interest rates quoted by the commercial banks in the PRC. The term of the New Loan Agreement is one year commencing from the date of the New Loan Agreement, subject to extension by mutual agreement. ECI Metro shall pay interest and repay the principal amount drawn upon maturity.

(d) Conditions Precedent

Completion of the New Loan Agreement is conditional upon, among other things, full compliance with the applicable requirements of the Listing Rules, including obtaining (where applicable) a waiver from the Stock Exchange to accept a written independent shareholders' approval of the Company in lieu of holding a general meeting to approve the New Loan Agreement and the transactions contemplated hereunder. Such waiver has already been granted by the Stock Exchange in accordance with Rule 14A.43 of the Listing Rules.

(e) Drawdown

The New Loan can be drawn down upon receipt of prior written drawn down notice of at least five business days immediately following the day upon which all of the conditions for the New Loan Agreement shall have been fulfilled, or such other date as the relevant parties may agree in writing, provided that the first drawdown of the New Loan shall occur on the business day immediately following the fulfilment of all the conditions for the New Loan Agreement and shall be applied to repay the full amount of the Existing Loan (including accrued interest).

LETTER FROM THE BOARD

C. INFORMATION ON THE PARTIES

The Group is principally engaged in the operation of feedmills for the production and sale of feed products. Additionally, the 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.

ECI Metro is a jointly-controlled entity of the Company in which EKCM, a wholly-owned subsidiary of the Company, has a 50% indirect equity interest. ECI Metro is the sole agent of the Caterpillar brand of construction machinery and tools in the western region of the PRC and is principally engaging in the sales, leasing and repair services of Caterpillar construction machinery in the PRC.

D. REASONS FOR AND BENEFITS OF THE NEW LOAN

As the Existing Loan was due to expire on 19 April 2011, the New Loan was entered into so that ECI Metro can repay the amount outstanding under the Existing Loan. The New Loan will allow ECI Metro to continue to finance its purchase of Caterpillar machinery and spare parts and provide working capital for the ECI Metro Group. The other shareholder of ECI Metro, Metro Tractor, has also agreed to continue to procure a loan of up to US\$29,000,000 (or its equivalent in RMB) to ECI Metro for the same purpose.

Given that (i) the New Loan will continue to provide support to ECI Metro for its increasing scale of operation and therefore strengthen its revenue stream and profitability and will in turn benefit the Group and; (ii) the other shareholder of ECI Metro has also agreed to continue to procure a similar loan to ECI Metro for the same purpose, the Directors (including the independent non-executive Directors who have taken into account the advice from CIMB as the independent financial adviser) consider that the provision of the New Loan is on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

E. LISTING RULES IMPLICATIONS

ECI Metro is a jointly-controlled entity of the Company in which EKCM has an indirect 50% equity interest. Since Mr. Chatchaval Jiaravanon (who, until he resigned as a Director of the Company effective on 1 June 2010, was an executive director of the Company within the preceding 12 months), is the son-in-law of Mr. Thongsai Burapachaisri, who holds an approximately 92.4% equity interest in Metro Tractor, which in turn holds the other 50% equity interest in ECI Metro, Mr. Thongsai Burapachaisri and ECI Metro are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. As the ECI Metro Group has borrowed and will continue to borrow from CCFL to fund its purchase of Caterpillar brand construction machinery and tools, and CCFL has agreed to provide such financing against, among other things, the Guaranty as disclosed in the announcements of the Company dated 4 July 2007, 30 October 2008 and 14 March 2011, respectively, the transactions under the New Loan Agreement and the Guaranty are required to be aggregated pursuant to Rules 14.22 and 14A.25 of the Listing Rules. As one of the applicable aggregate percentage ratios is more than 5% but less than 25%, the New Loan, when aggregated with the Guaranty, constitutes a discloseable and connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

As none of the Directors have any material interest in the New Loan Agreement, accordingly, none of them have abstained from voting on the relevant board resolutions.

To the best knowledge of the Directors, as no Shareholder has any interest in the New Loan Agreement, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for approving the transactions contemplated under the New Loan Agreement. CPI Holding, Worth Access and OSIL, each of which is wholly-owned by companies which are held as to 51.31% of their issued share capital by the Chearavanont Shareholders, and which hold on an aggregate basis approximately 70.85% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approval of the New Loan. CPI Holding, Worth Access and OSIL each holds 1,004,014,695 Shares, 481,250,000 Shares and 9,134,818,089 Shares, respectively.

In accordance with Rule 14A.43 of the Listing Rules, a waiver has been granted with respect to holding a general meeting to approve the New Loan Agreement and the written independent shareholders' approval was accepted by the Stock Exchange.

F. RECOMMENDATION

The Independent Board Committee has been established to consider whether the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter of CIMB containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 9 to 14 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 8 of this circular.

The Independent Board Committee, having taken into account the opinion of CIMB, considers the terms of the New Loan Agreement to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

G. ADDITIONAL INFORMATION

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

Yours faithfully,
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)

16 May 2011

To the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE NEW LOAN AGREEMENT**

We refer to the circular dated 16 May 2011 issued to the Shareholders (the "Circular") of which this letter forms part. Capitalized terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the New Loan Agreement and not having any interest in the transactions contemplated under the New Loan Agreement, we have been appointed by the Board to advise you as to whether, in our opinion, the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

CIMB has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the terms of the New Loan Agreement. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 9 to 14 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 7 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by CIMB as stated in its letter of advice, we consider that the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its Shareholders. Had there been a general meeting convened for this purpose, we would therefore have recommended the Independent Shareholders to vote in favour of the New Loan Agreement. As disclosed in the letter from the Board, CPI Holding, Worth Access and OSIL have provided to the Company their written approval to the New Loan and accordingly, no general meeting will be convened for this purpose.

Yours faithfully,
For and on behalf of
the Independent Board Committee

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

Sombat Deo-isres
*Independent Non-executive
Director*

Sakda Thanitcul
*Independent Non-executive
Director*

LETTER FROM CIMB SECURITIES (HK) LIMITED

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from CIMB dated 16 May 2011 prepared for the purpose of incorporation in this circular.



Units 7706-08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

16 May 2011

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE NEW LOAN AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of the New Loan by EKCM, a wholly owned subsidiary of the Company, to ECI Metro, in which the Company holds a 50% indirect equity interest, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated 16 May 2011, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

ECI Metro is a jointly-controlled entity of the Company and was owned as to 50% by each of the Company and Metro Tractor, which in turn was owned as to approximately 92.4% by Mr. Thongsai Burapachaisri ("Mr. Burapachaisri"), as at the Latest Practicable Date. Given that Mr. Burapachaisri is the father-in-law of Mr. Chatchaval Jiaravanon, an executive Director of the Company until 1 June 2010, Mr. Burapachaisri is a connected person at the Company's level. Accordingly, the provision of the New Loan by EKCM to ECI Metro constitutes a connected transaction under the Listing Rules. As one of the applicable ratios of the amount of the New Loan when aggregated with the limit under the Guaranty, which was renewed on 14 March 2011, is more than 5% but less than 25%, the New Loan, when aggregated with the Guaranty, constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best knowledge of the Directors, as no Shareholder has any interest in the New Loan Agreement, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for approving the transaction contemplated under the New Loan Agreement. CPI Holding, Worth Access and OSIL, each of which is wholly-owned by companies which are held as to

LETTER FROM CIMB SECURITIES (HK) LIMITED

51.31% of their issued share capital by the Chearavanont Shareholders, and which hold on an aggregate basis approximately 70.85% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approval of the New Loan. In view of the above, the Company has applied for, and been granted, a waiver from the Stock Exchange of the requirement of holding a general meeting to approve the New Loan Agreement and to accept the written independent shareholders' approval pursuant to Rule 14A.43 of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul, has been established to advise the Independent Shareholders as to whether the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate as at the date of the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of independent investigation into the business, affairs, financial position or the prospects of the Company, ECI Metro or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the terms of the New Loan Agreement, we have considered the following principal factors and reasons:

1. Background of and reasons for the New Loan Agreement

ECI Metro is a jointly-controlled entity of the Company in which EKCM, a wholly-owned subsidiary of the Company, has a 50% indirect equity interest. The remaining 50% equity interest of ECI Metro is owned by Metro Tractor, which in turn is approximately 92.4% owned by Mr. Burapachaisri, the father-in-law of Mr. Chatchaval Jiaravanon, an executive Director of the Company until 1 June 2010.

ECI Metro is the sole agent of the Caterpillar brand of construction machinery and tools in the western region of the PRC and is principally engaged in the sales, leasing and repair services of Caterpillar construction machinery in the PRC.

LETTER FROM CIMB SECURITIES (HK) LIMITED

The shareholders of ECI Metro, namely EKCM and Metro Tractor, have, since July 2007, been assisting the ECI Metro Group in securing financing from CCFL by providing guarantees in favour of CCFL in respect of the financing facilities granted to the ECI Metro Group. EKCM and Metro Tractor have also been providing loans to ECI Metro since April 2009 to finance its purchases of Caterpillar machinery and spare parts and working capital needs. In particular, under the Existing Loan Agreement, EKCM had provided the Existing Loan of a principal amount of up to US\$29,000,000 to ECI Metro, which had expired on 19 April 2011. Therefore, on 19 April 2011, EKCM entered into the New Loan Agreement with ECI Metro in relation to the provision of the New Loan of a principal amount of up to US\$29,000,000, which amount will be fully used for repayment of the Existing Loan. As disclosed in the letter from the Board of the Circular, Metro Tractor, the other 50% shareholder of ECI Metro, has agreed to continue to procure a loan of up to US\$29,000,000 to ECI Metro for the same purpose. The Directors consider that the provision of the New Loan pursuant to the New Loan Agreement will continue to provide support to ECI Metro for its increasing scale of operations and therefore strengthen its revenue stream and profitability, which in turn will benefit the Group.

Having considered the above, we are of the view that the New Loan Agreement had been entered into by the Company in its ordinary and usual course of business and is in the interest of the Company and the Shareholders as a whole.

2. Information of the ECI Metro Group

The ECI Metro Group is principally engaged in the distribution and leasing of Caterpillar brand construction and mining machinery and tools in the western regions of the PRC.

The summary of the consolidated financial information of ECI Metro for the three years ended 31 December 2010 is set out below.

	For the year ended 31 December		
	2010	2009	2008
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Audited)
Turnover	3,411,758	1,850,000	1,736,979
Profit before tax	153,359	115,516	117,344
Profit for the year	100,449	88,112	83,689

	As at 31 December		
	2010	2009	2008
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Audited)
Total assets	3,746,624	1,112,564	1,569,068
Total liabilities	3,182,081	681,400	1,233,802
Net assets	564,543	431,164	335,266

LETTER FROM CIMB SECURITIES (HK) LIMITED

As advised by the management of the Company, the ECI Metro Group has since 2009 expanded its scale of operations, particularly in Chongqing, Sichuan, Yunnan and Guizhou. As a result of such expansion, the ECI Metro Group recorded significant business growth in the past two years, with turnover increased by 84% from approximately HK\$1,850.0 million for 2009 to HK\$3,411.8 million for 2010. Profit for the year also increased by 14% from approximately HK\$88.1 million for 2009 to HK\$100.4 million for 2010.

In line with its revenue growth, the ECI Metro Group's total assets and liabilities as at 31 December 2010 increased by approximately 237% and 367% respectively as compared to the previous year. As at 31 December 2010, ECI Metro had net assets of approximately HK\$564.5 million and a gearing ratio (being total interest-bearing debts divided by net assets) of approximately 1.01.

According to the initial statistics released by National Bureau of Statistics of China in February 2011, total investment in fixed assets of the country amounted to approximately RMB27,814 billion in 2010, representing a year-on-year ("YoY") growth of approximately 23.8% and a compound annual growth rate ("CAGR") of approximately 26.1% as compared to that of 2006. Total investment in real estate development increased to approximately RMB4,826.7 billion in 2010, representing a YoY increase of approximately 33.2%. The value added of construction enterprises in the PRC was RMB2,645.1 billion in 2010, representing a YoY increase of approximately 12.6% and a CAGR of approximately 20.8% as compared to that of 2006.

We also note from 中國西部開發網 (the website of Western China Development) that the western part of the PRC realized a total investment in fixed assets of approximately RMB359 billion in January and February 2011 (a YoY growth of 27.1% which is substantially higher than the country level by 2.2 percentage points). The 12th Five-Year Plan of the PRC also positioned a new-round development of the western part of the PRC as one of the overall strategies for regional development in the PRC, which includes, among others, strengthening of infrastructure constructions, expansion of railway, highway, aviation and waterway networks, construction of a series of major water engineering projects and key water control projects, and speeding up oil and gas pipelines and power grid interconnection projects.

In view of the revenue growth of the ECI Metro Group in the past few years and the positive outlook of the construction industry in the PRC, particularly the western regions in which the ECI Metro Group principally operates, as elaborated above, we concur with the Directors' view that there will be increasing demand for the construction machinery and tools distributed by the ECI Metro Group and hence it would be in the interest of the Company to continue to provide support to ECI Metro's funding needs arising from operations by providing the New Loan.

3. Principal terms of the New Loan Agreement

(i) Loan Amount

The maximum principal amount which would be advanced by EKCM under the New Loan Agreement is US\$29,000,000 (or its equivalent in RMB), which is the same as that under the Existing Loan Agreement.

LETTER FROM CIMB SECURITIES (HK) LIMITED

(ii) *Interest Rate*

Pursuant to the New Loan Agreement, EKCM will charge an interest at the rate equal to the prime rate of interest published by the People's Bank of China for RMB borrowings of one-year on the date on which the New Loan is drawn multiplied by 1.1 (subject to adjustment to be mutually agreed). Under the New Loan Agreement, interest on the amount of the New Loan drawn during the first nine months from the date of the New Loan Agreement shall be payable every three months while that on the amount of the New Loan drawn after such nine-month period shall be payable monthly.

(iii) *Term of the New Loan*

The term of the New Loan Agreement is one year commencing from the date of the New Loan Agreement (the "Maturity Date"), subject to extension by mutual agreement. Unless the New Loan Agreement is extended on or before the Maturity Date, ECI Metro shall pay interest and repay the principal amount drawn under the New Loan Agreement on the Maturity Date.

Considering that (i) Metro Tractor, the other 50% shareholder of ECI Metro, has agreed to continue to procure loan of up to US\$29,000,000 (or its equivalent in RMB) to ECI Metro on terms similar to those under the New Loan Agreement; (ii) the interest on the New Loan was determined after arm's length negotiation between EKCM and ECI Metro with reference to the prevailing interest rates quoted by the commercial banks in the PRC; and (iii) the tenor of the New Loan being one year, we consider that the terms of the New Loan Agreement are fair and reasonable.

4. Financial effects

Given that the proceeds from the drawdown of the New Loan will be fully utilized to repay the Existing Loan, the provision of the New Loan will not have any adverse impact on the cash flow of the Group.

The maximum principal amount of the New Loan is US\$29 million, which represents approximately 5.2% of the Company's audited consolidated net assets of approximately US\$558.2 million as at 31 December 2010.

Considering the maximum principal amount of US\$29 million under the New Loan Agreement, the Directors are of the view that provision of the New Loan will not have any substantial financial impact on the Group's financial position.

RECOMMENDATION

Having taken into account the above principal factors, in particular (i) the fact that the purpose of the New Loan pursuant to the New Loan Agreement is to support the funding needs of the ECI Metro Group arising from its operations; (ii) Metro Tractor is also providing a loan to the ECI Metro Group in proportion to its attributable shareholding in ECI Metro on terms similar to those of the New Loan Agreement; and (iii) the principal terms of the New Loan Agreement are fair and reasonable, we are of the opinion that the provision of the New Loan pursuant to the New Loan Agreement is in the ordinary and

LETTER FROM CIMB SECURITIES (HK) LIMITED

usual course of business of the Company and on normal and commercial terms. We further consider that the terms of the New Loan Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Company has obtained from each of CPI Holding, Worth Access and OSIL a written approval of the New Loan Agreement. It has therefore applied for, and been granted, a waiver from the Stock Exchange of the requirement to hold a general meeting to approve the New Loan Agreement. If a general meeting of the Shareholders were to be held for the purpose of approving the New Loan Agreement, we would recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the New Loan Agreement.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Head

Corporate Finance

Heidi Cheng

Deputy Head

Corporate Finance

1. RESPONSIBILITY STATEMENT

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

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

(i) Directors' interests in shares of associated corporation of the Company

As at the Latest Practicable Date, the interests of the Directors in shares of associated corporation of the Company were as follows:

(a) CPG

Name of Director	Capacity	Number of shares held (Note)	Approximate percentage of the issued share capital of CPG
Mr. Dhanin Chearavanont	Beneficial owner	228,277,810 (L)	12.96%
Mr. Thanakorn Seriburi	Beneficial owner	11,322,605(L)	0.64%
Mr. Damrongdej Chalongphuntarat	Beneficial owner	160,150 (L)	0.01%

(b) Kinghill Limited

Name of Director	Capacity	Number of shares held (Note)	Approximate percentage of the issued share capital of Kinghill Limited
Mr. Dhanin Chearavanont	Beneficial owner	5,882,196 (L)	2.8%
Mr. Thanakorn Seriburi	Beneficial owner	947,000 (L)	0.45%
Mr. Robert Ping-Hsien Ho	Beneficial owner	50,000 (L)	0.02%

Note: The letter "L" denotes a long position.

(ii) Directors' interests in share options granted by the Company

Pursuant to a share option scheme adopted by the Company on 26 November 2002 (the "Scheme"), certain Directors were granted share options. As at the Latest Practicable Date, the interests of the Directors as beneficial owner in options to subscribe for Shares under the 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 the issued share capital of the Company
Mr. Dhanin Chearavanont	26 February 2003	12,800,000	0.3900	0.09%
	3 May 2004	12,800,000	0.3900	0.09%
	19 May 2005	12,000,000	0.3540	0.08%
Mr. Thanakorn Seriburi	26 February 2003	21,584,807	0.3900	0.14%
	3 May 2004	20,000,000	0.3900	0.13%
	19 May 2005	21,000,000	0.3540	0.14%
Mr. Meth Jiaravanont	19 May 2005	21,000,000	0.3540	0.14%
Mr. Robert Ping-Hsien Ho	26 February 2003	21,584,807	0.3900	0.14%
	3 May 2004	20,000,000	0.3900	0.13%
	19 May 2005	21,000,000	0.3540	0.14%

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

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

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had the following interests or short positions in Shares or underlying shares of the Company which would fall to be disclosed to the Company 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.

Name of Shareholder	Capacity/Nature of interest	Notes	Number of Shares/underlying shares held (Note 1)	Approximate percentage of the issued share capital of the Company (Note 2)
CPI Holding	Beneficial owner	(3)	1,004,014,695 (L)	6.70%
C.P. Intertrade Co., Ltd.	Interest of controlled corporation	(3)	1,004,014,695 (L)	6.70%
OSIL	Beneficial owner and other interest	(4)	14,706,275,377 (L) 3,503,700,001 (S)	98.12% 23.38%
CPG Overseas Company Limited	Interest of controlled corporation and other interest	(4) & (5)	15,187,525,377 (L) 3,503,700,001 (S)	101.33% 23.38%
CPG	Interest of controlled corporation and other interest	(4) & (5)	15,187,525,377 (L) 3,503,700,001 (S)	101.33% 23.38%
Burnside Asia Holdings Limited	Beneficial owner and Other interest	(6)	5,774,616,668 (L) 2,270,916,667 (S)	38.53% 15.15%
CAP III Ltd.	Interest of controlled Corporation	(6)	5,774,616,668 (L) 2,270,916,667 (S)	38.53% 15.15%

Name of Shareholder	Capacity/Nature of interest	Notes	Number of Shares/underlying shares held (Note 1)	Approximate percentage of the issued share capital of the Company (Note 2)
Carlyle Offshore Partners II, Ltd.	Interest of controlled corporation	(6)	5,774,616,668 (L) 2,270,916,667 (S)	38.53% 15.15%
D. E. Shaw Valence Portfolios, L.L.C.	Beneficial owner and interest of controlled corporation	(7)	895,296,933 (L)	5.97%
D. E. Shaw Composite Portfolios, L.L.C.	Interest of controlled corporation	(7)	895,296,933 (L)	5.97%
D. E. Shaw & Co., L.L.C.	Interest of controlled corporation	(7)	895,296,933 (L)	5.97%
D. E. Shaw & Co., II, Inc.	Interest of controlled corporation	(7)	895,296,933 (L)	5.97%
D. E. Shaw & Co. (Asia Pacific) Limited	Investment Manager	(7)	895,296,933 (L)	5.97%
D. E. Shaw & Co. L.P.	Investment Manager	(7)	895,296,933 (L)	5.97%
D. E. Shaw & Co., Inc.	Interest in controlled corporation	(7)	895,296,933 (L)	5.97%
David Elliot Shaw	Interest in controlled corporation	(7)	895,296,933 (L)	5.97%

Notes:

- (1) The letter "L" denotes a long position and the letter "S" denotes a short position.
- (2) The percentage shown is based on the number of Shares in issue as at the Latest Practicable Date.
- (3) CPI Holding beneficially owned 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.
- (4) OSIL has a long position in 14,706,275,377 Shares and underlying shares, which represent (i) 9,134,818,089 Shares; (ii) 3,300,540,621 Shares upon full conversion of 3,300,540,621 convertible preference shares of the Company (assuming the full repayment of the outstanding advances from the Group to OSIL and its subsidiaries, jointly-controlled entities and associated companies); and (iii) other interest in 2,270,916,667 underlying shares. OSIL also has a short position in 3,503,700,001 Shares and underlying shares. CPG Overseas Company Limited ("CPG Overseas") is deemed to be interested in the said shares held by OSIL for the purpose of SFO as OSIL is wholly-owned by CPG Overseas. CPG also declared interest in these shares by virtue of its shareholding in CPG Overseas.
- (5) CPG Overseas has declared an interest in 481,250,000 Shares which are beneficially owned by its wholly-owned subsidiary. CPG also declared in these shares by virtue of its shareholding in CPG Overseas.

- (6) Burnside Asia Holdings Limited (“Burnside”) beneficially owned 2,595,333,334 Shares and underlying shares and other interest in 3,179,283,334 underlying shares, both are in long positions. Burnside also has a short position in 2,270,916,667 underlying shares. CAP III Ltd. (“CAP”) has declared an interest in these shares by virtue of its shareholding in Burnside whilst Carlyle Offshore Partners II, Ltd has also declared an interest in such number of shares by virtue of its shareholding in CAP.
- (7) D. E. Shaw Valence Portfolios, L.L.C. beneficially owned 679,720,000 Shares and it also declared an interest in 215,576,933 Shares which are beneficially owned by its wholly-owned subsidiary. D. E. Shaw Valence Portfolios, L.L.C., was controlled by D. E. Shaw Composite Portfolios, L.L.C., which was controlled by D. E. Shaw & Co., L.L.C., which was controlled by D. E. Shaw & Co. II, Inc., which in turn was wholly-owned by Mr. David Elliot Shaw, who controls D. E. Shaw & Co., Inc., which controls D. E. Shaw & Co., L.P., which in turn controls D. E. Shaw & Co. (Asia Pacific) Limited. All of these companies and Mr. David Elliot Shaw are deemed under SFO to be interested in the same 895,296,933 Shares.

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 the Company) had an interest or a short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company 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.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors or his associates had 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.

5. 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).

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading positions of the Group since 31 December 2010 (the date to which the latest published audited consolidated accounts of the Group were made up).

7. INTERESTS IN ASSETS

As at the Latest Practicable Date, since 31 December 2010 (the date to which the latest published audited consolidated accounts of the Group were made up), none of the Directors or the expert referred to in paragraph 8 “Qualification and Consent of Expert” below has any direct or indirect interest in any assets of material importance to the Company which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its letter for the inclusion in this circular:

Name	Qualification	Nature of opinion or advice	Date of opinion
CIMB	A licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under Schedule 5 of the SFO)	Letter to the Independent Board Committee and the Independent Shareholders	16 May 2011

CIMB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, CIMB 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.

9. MISCELLANEOUS

- (a) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Chan Pui Shan, Bessie. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over Chinese text in the case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including 31 May 2011:

- (a) the New Loan Agreement;
- (b) the Guaranty together with the Second Amendment Deed;
- (c) the letter from Independent Board Committee, the text of which is set out on page 8 of this circular;
- (d) the letter from CIMB, the text of which is set out on pages 9 to 14 of this circular;
- (e) the written consent from CIMB referred to in paragraph headed "Qualification and Consent of Expert" in this appendix; and
- (f) this circular.