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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 43)

## **CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

Certain members of the CPP Group have for some time and in their ordinary course of business been purchasing CTC Products from suppliers which until 29 June 2015 were also subsidiaries of the CPP Group, and such purchases have continued since that date and are expected to continue in the future.

### **CTEI MASTER SUPPLY AGREEMENT**

As from 29 June 2015, CTEI, of which these suppliers are subsidiaries, was spun off via the Distribution to the Shareholders. As a result, these suppliers have become connected persons of the Company for the purposes of the Listing Rules. The ordinary shares of CTEI were separately listed on the Main Board of the Stock Exchange on 3 July 2015, upon which date the CTEI Master Supply Agreement became effective. Transactions between the CPP Group and the CTEI Group under the CTEI Master Supply Agreement have therefore become continuing connected transactions of the Company for the purposes of the Listing Rules.

### **ANNUAL CAPS FOR THE CTEI MASTER SUPPLY AGREEMENT**

The annual caps for the purchase of CTC Products by the CPP Group from the CTEI Group for the period from 3 July 2015 to 31 December 2015 and for each of the financial years ending 31 December 2016 and 2017 are US\$5,993,000, US\$13,176,000 and US\$14,515,000, respectively.

### **LISTING RULES IMPLICATIONS**

For the purposes of the Company, as the highest of the applicable percentage ratios calculated by reference to the annual caps for the purchase of CTC Products pursuant to the CTEI Master Supply Agreement is more than 0.1% but less than 5%, the transactions under the CTEI Master Supply Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Pursuant to the CTEI Master Supply Agreement, the CPP Group shall purchase CTC Products from the CTEI Group.

The major terms of the CTEI Master Supply Agreement are set out below:

(a) **Effective Date**

3 July 2015

(b) **Parties**

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

(c) **Subject matter**

Purchase of CTC Products from the CTEI Group.

(d) **Price**

To be determined through good faith negotiations between the CPP Group and the CTEI Group by reference to a price list for CTC Products (or separate price lists for different CTC Products) maintained by the CTEI Group and used to determine the prices of CTC Products to be supplied by the CTEI Group to independent third parties, and shall be no less favourable to the CPP Group and the CTEI Group than those available from independent third parties.

(e) **Payment terms**

Payment shall be made by telegraphic transfer or such other payment method as is acceptable to the CTEI Group from purchasers who are independent third parties.

(f) **Term**

The CTEI Master Supply Agreement became effective on 3 July 2015 and would continue until 31 December 2017.

(g) **Annual caps**

For the financial year ended 31 December 2014 and the six months ended 30 June 2015, the total amount of CTC Products purchased by the CPP Group from the CTEI Group was US\$6,389,000 and US\$4,668,000, respectively.

Taking into account the volume and amount of CTC Products which the CPP Group has been purchasing from the CTEI Group both before and after the CTEI Listing Date, and in accordance with the Listing Rules, the Company has set annual caps for the maximum aggregate amounts payable under the CTEI Master Supply Agreement for the period from the CTEI Listing Date to 31 December 2015 and for the financial years ending 31 December 2016 and 2017, respectively as follows:

<u>Period</u>	<u>(US\$'000)</u>
Rest of 2015	5,993
2016	13,176
2017	14,515

The annual caps have been set at the above amounts primarily based on the following factors:

- (i) the historical purchases of CTC Products from the CTEI Group and, in particular, the increased purchases of CTC Products by a Vietnam subsidiary in the CPP Group since the fourth quarter of 2014 and which have continued in the first half of 2015;
- (ii) the prevailing market price of CTC Products, taking into account the prices set by other suppliers and allowing for possible price fluctuations; and
- (iii) the expected increase of approximately 10% in volume in the annual demand by the CPP Group for CTC Products in each of the two financial years ending 31 December 2017 due to the potential growth of our feed business.

## **INFORMATION ON THE PARTIES**

The CPP Group is principally engaged in (i) the manufacture and sale of animal feed in the PRC and Vietnam, (ii) the breeding, farming and sale of livestock and aquatic animals in Vietnam and (iii) the manufacture and sale of value-added processed food products in Vietnam.

The CTEI Group (i) is engaged in the biochemical business which focuses on the manufacture and sale of CTC Products and (ii) holds interests in a joint venture and an associated company engaged in the industrial business which focuses,

respectively, on the trading of Caterpillar products and the manufacture and sale of carburetors and automotive parts.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Directors consider that the Continuing Connected Transactions will enable the CPP Group to purchase CTC Products from the CTEI Group which offers a reliable and high quality source of supply required by the CPP Group in the production of animal and aqua feed products.

The Directors (including the independent non-executive Directors) believe that the Continuing Connected Transactions are in the ordinary and usual course of business of the CPP Group and the terms of the CTEI Master Supply Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As (i) Mr. Dhanin Chearavanont (chairman and executive director of the Company), Mr. Adirek Sripratak (vice chairman and executive director of the Company) and Mrs. Arunee Watcharananan (executive director of the Company) are directors of CPF which is the controlling shareholder of the Company and also of CTEI, and (ii) Mr. Soopakij Chearavanont (vice chairman and executive director of the Company) is director of CTEI, the Board considered that each of Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont and Mrs. Arunee Watcharananan had a material interest in the transactions contemplated under the CTEI Master Supply Agreement. Accordingly, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont and Mrs. Arunee Watcharananan abstained from voting on the respective resolutions tabled at the board meeting of the Company held to consider the CTEI Master Supply Agreement. Other than Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont and Mrs. Arunee Watcharananan, no other Director was considered to have a material interest in the transactions contemplated under the CTEI Master Supply Agreement, and hence no other Director abstained from voting on the respective board resolutions approving the CTEI Master Supply Agreement.

## **LISTING RULES IMPLICATIONS**

The CTEI Group was part of the CPP Group prior to the Distribution. Following completion of the Distribution, CPF, the controlling shareholder of the Company, which is interested in approximately 47.8% of the Ordinary Shares in issue as at the date of this announcement, has also become the controlling shareholder of CTEI with an interest in approximately 47.8% of the ordinary shares of CTEI in issue as at the date of this announcement. Transactions between the CPP Group and the CTEI Group under the CTEI Master Supply Agreement have therefore become continuing connected transactions of the Company for the purposes of the Listing Rules. For the purposes of the Company, as the highest of the applicable percentage ratios calculated with reference to the annual caps in respect of the CTEI Master Supply Agreement is more than 0.1% but less than 5%, the transactions under the CTEI Master Supply Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“CPP” or “Company”	C.P. Pokphand Co. Ltd., an exempted company incorporated in Bermuda whose Ordinary Shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
“Continuing Connected Transactions”	the transactions contemplated under the CTEI Master Supply Agreement
“CPP Group”	the Company and its subsidiaries
“CTC Products”	the products to be purchased by the CPP Group from the CTEI Group under the CTEI Master Supply Agreement including chlortetracycline and animal drugs (including any antibiotics) required for the production and sale of animal and aqua feed products
“CTEI”	Chia Tai Enterprises International Limited, an exempted company incorporated in Bermuda whose ordinary shares are listed and traded on the Main Board of the Stock Exchange under stock code 3839
“CTEI Group”	CTEI and its subsidiaries
“CTEI Listing Date”	3 July 2015 on which the ordinary shares of CTEI were listed on the Main Board of the Stock Exchange
“CTEI Master Supply Agreement”	the master supply agreement dated 16 April 2015 made between the Company as purchaser and CTEI as supplier for the purchase of CTC Products
“Director(s)”	the directors of the Company
“Distribution”	the payment of a special interim dividend by the Company to the Shareholders which was disclosed and defined as the “Modified Distribution” in the circular of the Company issued on 26 March 2015

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Ordinary Shares”	ordinary shares of US\$0.01 each in the share capital of the Company
“Shareholders”	holders of Shares from time to time
“Shares”	Ordinary Shares and the restricted voting convertible preference share(s) of US\$0.01 each in the share 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  
**Arunee Watcharananan**  
*Director*

Hong Kong, 29 September 2015

*As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mr. Anan Athigapanich, Mr. Suphachai Chearavanont and Mrs. Arunee Watcharananan; one non-executive director, namely, Mr. Meth Jiaravanont; and five independent non-executive directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasgarnvej and Mrs. Vatchari Vimooktayon.*