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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code:43)

**(1) SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAP OF
EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

On 30 July 2020, the Company entered into the 2020 Supplemental CTEI Purchase Agreement to expand the categories of products which the Group may purchase from the CTEI Group from time to time under the 2017 Master CTEI Purchase Agreement.

Furthermore, the Company proposes to increase the original annual cap for the year ending 31 December 2020 under the 2017 Master CTEI Purchase Agreement (as supplemented by the 2020 Supplemental CTEI Purchase Agreement).

As the 2017 Master CTEI Purchase Agreement will expire on 31 December 2020, on 30 July 2020, the Company also entered into the 2020 Master CTEI Purchase Agreement based on substantially the same terms and conditions as the 2017 Master CTEI Purchase Agreement (as supplemented by the 2020 Supplemental CTEI Purchase Agreement).

LISTING RULES IMPLICATIONS

As explained in the section headed “Listing Rules Implications” below, such transactions are treated as continuing connected transactions of the Company under the Listing Rules and are subject to certain reporting and announcement requirements under the Listing Rules. They are also continuing connected transactions of CTEI and will be conditional on the approval by the independent shareholders of CTEI.

SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAP OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2017 relating to the 2017 Master CTEI Purchase Agreement.

Animal health products and other related products, which are primarily used as feed additives and/ or supplement to improve overall feed efficiency and promote healthy growth of livestock, are regularly purchased by the Group from third party suppliers to support the feed and farming businesses of the Group. The Group understands that the CTEI Group is supplying a wider variety of products to its customers which will include certain animal health products and other related products such as enzymes and acidifiers. Provided that the CTEI Group can offer competitive terms, the Group is interested to purchase for its business, some of these products from the CTEI Group as an alternative supplier.

Accordingly, on 30 July 2020, the Company entered into the 2020 Supplemental CTEI Purchase Agreement with CTEI, under which the parties agreed to revise the categories of products which the Group may purchase from time to time from the CTEI Group under the 2017 Master CTEI Purchase Agreement. As the expected amount of transactions for the Revised CTEI Products between the Group and the CTEI Group may exceed the original annual cap with respect to the year ending 31 December 2020 for transactions under the 2017 Master CTEI Purchase Agreement (as supplemented by the 2020 Supplemental CTEI Purchase Agreement), the Company also proposes to increase the annual cap for that year thereunder.

Key terms of the 2020 Supplemental CTEI Purchase Agreement and the proposed revised annual cap for 2020 are set out below:

(a) Date

30 July 2020

(b) Parties

(i) the Company (as purchaser)

(ii) CTEI (as supplier)

(c) Subject matter

The expansion of the categories of products which may be purchased by the Group under the 2017 Master CTEI Purchase Agreement to the Revised CTEI Products. All other terms of the 2017 Master CTEI Purchase Agreement will remain in effect.

(d) Condition

The expansion of the categories of products referred to above is subject to and will take effect upon the approval of the independent shareholders of CTEI.

Revised Annual Cap for 2020

For the year ending 31 December 2020	
<u>Original Annual Cap</u>	<u>Revised Annual Cap</u>
US\$4.4 million (approximately HK\$34.3 million)	US\$5.5 million (approximately HK\$42.9 million)

The revised annual cap for 2020 is determined with reference to:

- (i) the actual purchase amount transacted with the CTEI Group under the 2017 Master CTEI Purchase Agreement in the five months ended 31 May 2020 (further detailed in the section headed “Renewal of Continuing Connected Transactions” of this announcement);
- (ii) the projected purchase amount of the Revised CTEI Products from the CTEI Group for the remaining part of the current financial year, especially of the additional categories of products included in the Revised CTEI Products;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by independent third party suppliers; and
- (iv) an additional buffer of 5% above the projected purchase amount of the Revised CTEI Products for the remaining part of the current financial year to take into account any unexpected increase in the demand for and/ or the selling price of the Revised CTEI Products.

The revised annual cap for 2020 is also subject to and will take effect upon the approval of the independent shareholders of CTEI.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The 2017 Master CTEI Purchase Agreement will expire on 31 December 2020. As the Company intends to continue the transactions contemplated thereunder, on 30 July 2020, the Company entered into the 2020 Master CTEI Purchase Agreement with CTEI based on substantially the same terms and conditions as the 2017 Master CTEI Purchase Agreement (as supplemented by the 2020 Supplemental CTEI Purchase Agreement).

Key terms of the 2020 Master CTEI Purchase Agreement and the proposed annual caps are set out below:

(a) Date

30 July 2020

(b) Parties

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

(c) Subject matter

Purchase of the Revised CTEI Products from the CTEI Group.

(d) Pricing policy

The pricing determination policy under the 2020 Master CTEI Purchase Agreement is the same as that provided in the 2017 Master CTEI Purchase Agreement. As a general principle, quantity and price of the Revised CTEI Products purchased by the Group from time to time is determined through good faith negotiations between the Group and the CTEI Group. To ensure that transactions with the CTEI Group under the 2020 Master CTEI Purchase Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and are not less favourable than those offered by available independent third party suppliers, after a price quote has been received from the CTEI Group, the Group would compare it with other price quotes from available independent third party suppliers for a similar volume of the same or similar products of comparable standards before deciding from which supplier to purchase the products.

(e) Payment terms

The Group will generally request from the CTEI Group for credit terms of up to 90 days from delivery but this may be adjusted to take into account generally accepted market terms from time to time.

(f) Term

Subject to approval of the independent shareholders of CTEI, the 2020 Master CTEI Purchase Agreement shall take effect from 1 January 2021 and continue until 31 December 2023.

(g) Historical amount of purchase of the CTEI Products

	For the financial year ended 31 December		For the five months ended
	<u>2018</u>	<u>2019</u>	<u>31 May 2020</u>
Purchases of products under the 2017 Master CTEI Purchase Agreement	US\$2.3 million (approximately HK\$17.9 million)	US\$3.0 million (approximately HK\$23.4 million)	US\$0.7million (approximately HK\$5.5 million)

(h) Proposed annual caps

	For the financial year ending 31 December		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Proposed annual caps for purchase of the Revised CTEI Products under the 2020 Master CTEI Purchase Agreement	US\$13.2 million (approximately HK\$103.0 million)	US\$14.2 million (approximately HK\$110.8 million)	US\$16.8 million (approximately HK\$131.0 million)

The above annual caps have been determined with reference to:

- (i) the amount of historical purchases under the 2017 Master CTEI Purchase Agreement from the CTEI Group for each of the financial years ended 31 December 2018 and 31 December 2019 and the five months ended 31 May 2020;
- (ii) the projected purchase of the Revised CTEI Products from the CTEI Group for the remaining part of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices offered by independent third party suppliers;
- (iv) overall increase in actual purchases from the CTEI Group under the 2017 Master CTEI Purchase Agreement for the two complete years since 1 January 2018;
- (v) the projected increase in purchase of the Revised CTEI Products from the CTEI Group during the three-year term of the 2020 Master CTEI Purchase Agreement; and
- (vi) an additional buffer of 5% above the projected purchase amount of each of 2021 to 2023 to take into account any unexpected increase in the demand for and/ or the selling price of the Revised CTEI Products.

The above annual caps are also subject to the approval of the independent shareholders of CTEI.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The subsidiaries of the Company are principally engaged, in the PRC and Vietnam, in (i) manufacture and sale of animal feed products, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) manufacture and sale of food products.

CTEI is an investment holding company. The CTEI Group and its joint venture and associate are principally involved in (i) manufacturing and/ or sale of chlortetracycline and other related products; (ii) trading of machinery; and (iii) manufacturing and sale of automotive parts respectively.

REASONS FOR AND BENEFITS OF SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAP OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

As (i) each of Mr. Adirek Sripratak, Mr. Suphachai Chearavanont (each a vice chairman and an executive director of the Company), Mrs. Arunee Watcharananan (an executive director of the Company), Mr. Vinai Vittavasgarnvej, Mrs. Vatchari Vimooktayon and Professor Dr. Pongsak Angkasith (each an independent non-executive director of the Company) are directors of CPF which is the controlling shareholder of the Company and CTEI; (ii) Mr. Soopakij Chearavanont (chairman and an executive director of the Company) is a director of CPF and CTEI; and (iii) each of Mr. Yoichi Ikezoe (a non-executive director of the Company) and Mr. Cheng Yuk Wo (an independent non-executive director of the Company) is a director of CTEI, the Board considered that each of the above Directors who attended the relevant Board meeting had a material interest in the transactions contemplated under the 2020 Supplemental CTEI Purchase Agreement and the 2020 Master CTEI Purchase Agreement. Accordingly, they abstained from voting at the relevant Board meeting on the resolutions relating to the 2020 Supplemental CTEI Purchase Agreement and the 2020 Master CTEI Purchase Agreement.

Save as disclosed above, none of the other Directors who attended the relevant meeting of the Board had a material interest in the relevant transactions and was required to abstain from voting on the board resolutions for approving the 2020 Supplemental CTEI Purchase Agreement, the 2020 Master CTEI Purchase Agreement and the related annual caps.

The Board (including the independent non-executive Directors (except Mr. Vinai Vittavasgarnvej, Mrs. Vatchari Vimooktayon, Mr. Cheng Yuk Wo and Professor Dr. Pongsak Angkasith for the reason mentioned above) but excluding the Directors mentioned above who abstained from voting) is of the view that:

- (i) entering into the 2020 Supplemental CTEI Purchase Agreement will allow the Group to source certain additional products required by its feed and farming businesses (which together with the CTEI Products are used by the Group as feed additives and products which improve overall feed efficiency and promote healthy growth of livestock) from the CTEI Group at a competitive price; and
- (ii) entering into the 2020 Master CTEI Purchase Agreement will enable the Group to continue to purchase the Revised CTEI Products required by its feed and farming businesses from the CTEI Group, a supplier which offers a reliable and high quality source of supply.

Accordingly, the Board believes that terms of the 2020 Supplemental CTEI Purchase Agreement and the 2020 Master CTEI Purchase Agreement are fair and reasonable and on normal commercial terms and have been entered into in the ordinary and usual course of business of the Group and that the transactions are in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CPF is interested in approximately 49.7% of the Shares in issue and is therefore the controlling shareholder of the Company. CPF is interested in approximately 47.8% of the total issued share capital of CTEI. Companies in the CTEI Group are therefore associates of CPF and connected persons of the Company under the Listing Rules. Transactions between the Group and the CTEI Group under the 2020 Supplemental CTEI Purchase Agreement and the 2020 Master CTEI Purchase Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the revised annual cap for the year ending 31 December 2020 under the 2020 Supplemental CTEI Purchase Agreement and the proposed annual caps under the 2020 Master CTEI Purchase Agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2020 Supplemental CTEI Purchase Agreement and the annual caps under the 2020 Master CTEI Purchase Agreement, are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules. But as the same transactions and the related annual caps are also continuing connected transactions of CTEI under Chapter 14A of the Listing Rules, they will be conditional upon approval by the independent shareholders of CTEI.

DEFINITIONS

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

“2017 Master CTEI Purchase Agreement”	the master agreement dated 30 October 2017 made between the Company (as purchaser) and CTEI (as supplier) for the purchase of CTEI Products from the CTEI Group with a term of three years from 1 January 2018 until 31 December 2020
“2020 Master CTEI Purchase Agreement”	the master agreement dated 30 July 2020 made between the Company (as purchaser) and CTEI (as supplier) for the purchase of Revised CTEI Products from the CTEI Group with a term of three years from 1 January 2021 until 31 December 2023
“2020 Supplemental CTEI Purchase Agreement”	the supplemental agreement dated 30 July 2020 entered into between the Company and CTEI to revise a term of the 2017 Master CTEI Purchase Agreement
“associates”	has the meaning ascribed to this term in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	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

“connected persons”	has the meaning ascribed to this term in the Listing Rules
“controlling shareholder”	has the meaning ascribed to this term in the Listing Rules
“CPF”	Charoen Pokphand Foods Public Company Limited, a company incorporated in the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand
“CTEI”	Chia Tai Enterprises International Limited, an exempted company incorporated in Bermuda whose Shares are listed and traded on the Main Board of the Stock Exchange under stock code 3839
“CTEI Group”	CTEI and its subsidiaries from time to time
“CTEI Products”	various chlortetracycline products and such animal drugs (including any antibiotics) purchased by the Group from the CTEI Group
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Revised CTEI Products”	various chlortetracycline products, animal drugs, animal health products and other related products to be purchased by the Group from the CTEI Group
“Shareholders”	holders of Shares from time to time
“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
Arunee Watcharananan
Director

Note: For the purpose of this announcement, the exchange rate for the conversion of US\$ into HK\$ for indication only is: US\$1.0 = HK\$7.8.

Hong Kong, 30 July 2020

As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Soopakij Chearavanont, Mr. Adirek Sripratak, Mr. Suphachai Chearavanont, Mr. Narong Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan and Mr. Yu Jianping; two non-executive directors, namely, Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe; and five independent non-executive directors, namely, Mr. Vinai Vittavasgarnvej, Mrs. Vatchari Vimooktayon, Mr. Cheng Yuk Wo, Professor Dr. Pongsak Angkasith and General Udomdej Sitabutr.