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

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 43)*

# RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND THE RELATED ANNUAL CAPS

**RENEWAL OF THE MASTER BUSINESS CARVE-OUT AGREEMENT AND THE MASTER LEASE AGREEMENT**

Reference is made to the announcements of the Company dated 11 December 2009, 18 October 2010 and 25 May 2011 and the circulars of the Company dated 31 December 2009 and 7 November 2010, respectively, relating to, inter alia, the Master Business Carve-out Agreement, the Master Lease Agreement and the related annual caps. The terms of the Master Business Carve-out Agreement and the Master Lease Agreement will expire on 31 December 2012.

In view of the expiry of the terms of the Master Business Carve-out Agreement and the Master Lease Agreement on 31 December 2012 and the Company's intention to continue to generate income from the idle non-feed production facilities of the CPP Group and to continue to expand its feed business, the Company and OSIL have entered into the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement on 31 December 2012 with substantially the same terms as the Master Business Carve-out Agreement and the Master Lease Agreement.

**ANNUAL CAPS FOR THE RENEWED MASTER BUSINESS CARVE-OUT AGREEMENT AND THE RENEWED MASTER LEASE AGREEMENT**

The maximum aggregate annual rental/fee payable to the CPP Group by the OSIL Group under the Renewed Master Business Carve-out Agreement for each of the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are RMB28.8 million (approximately US$4.6 million), RMB30.2 million (approximately US$4.8 million) and RMB31.6 million (approximately US$5.0 million) respectively.

The maximum aggregate annual rental/fee payable by the CPP Group to the OSIL Group and/or its related entities under the Renewed Master Lease Agreement for each of the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are RMB37.1 million (approximately US$5.9 million), RMB38.9 million (approximately US$6.2 million) and RMB40.8 million (approximately US$6.5 million) respectively.

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the annual caps under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement are more than 0.1% but less than 5%, the transactions under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement constitute non-exempt continuing connected transactions of the Company subject to the reporting and announcement requirements pursuant to Rules 14A.34 of the Listing Rules and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**CONTINUING CONNECTED TRANSACTIONS**

## 1 RENEWED MASTER BUSINESS CARVE-OUT AGREEMENT

(a) **Date**

31 December 2012

(b) **Parties**

(i) The Company (as provider)
(ii) OSIL (as operator)

(c) **Subject matter**

Lease and/or use of relevant fixed assets (comprising land, buildings and plant and machinery) 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.

(d) **Rental/usage fees**

To be determined based on commercial terms agreed after good faith and arms' length negotiation between the relevant parties, by reference to the depreciation expenses of the CPP Group for the relevant fixed assets, the applicable tax costs and expenses and other applicable government levy which may be incurred by the CPP Group in relation to such fixed assets, and the rental/usage fees shall be no less favourable than those available to the CPP Group from lessees/users who are independent third parties. Each specific lease/usage arrangement relating to a particular location shall be governed by a separate lease/contract arrangement. All risks associated with the relevant fixed assets will be for the account of the OSIL Group. The OSIL Group 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 Renewed Master Business Carve-out Agreement has an initial term of three years from 1 January 2013 until 31 December 2015, which will be automatically renewed for successive terms of three years each subject to compliance by the Company with relevant requirements of the Listing Rules and other requirements of the Stock Exchange unless earlier terminated by either party.

(g) **Historical rental/usage fees**

The historical amount of annual rental/fees paid to the CPP Group by the OSIL Group under the Master Business Carve-out Agreement for each of the financial years ended 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012 were RMB15.8 million (approximately US$2.5 million), RMB20.2 million (approximately US$3.2 million) and RMB10.5 million (approximately US$1.7 million) respectively.

(h) **Annual caps**

The maximum aggregate annual rental/fee payable to the CPP Group by the OSIL Group under the Renewed Master Business Carve-out Agreement for each of the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are RMB28.8 million (approximately US$4.6 million), RMB30.2 million (approximately US$4.8 million) and RMB31.6 million (approximately US$5.0 million) respectively.

The above annual caps have been determined by reference to the historical rental/fee paid to the CPP Group by the OSIL Group, the consumer price index and the provision for possible annual increase in government levy.

## 2 RENEWED MASTER LEASE AGREEMENT

(a) **Date**

31 December 2012

(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 after 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 levy 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 Renewed Master Lease Agreement has an initial term of three years from 1 January 2013 until 31 December 2015, which will be automatically renewed for successive terms of three years each subject to compliance by the Company with relevant requirements of the Listing Rules and other requirements of the Stock Exchange unless earlier terminated by either party.

(g) **Historical rental/usage fees**

The historical amount of annual rental/fees paid by the CPP Group to the OSIL Group under the Master Lease Agreement for each of the financial years ended 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012 were RMB2.0 million (approximately US$0.3 million), RMB20.3 million (approximately US$3.2 million) and RMB10.2 million (approximately US$1.6 million) respectively.

(h) **Annual caps**

The maximum aggregate annual rental/fee payable by the CPP Group to the OSIL Group and/or its related entities under the Renewed Master Lease Agreement for each of the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are RMB37.1 million (approximately US$5.9 million), RMB38.9 million (approximately US$6.2 million) and RMB40.8 million (approximately US$6.5 million) respectively.

The above annual caps have been determined by reference to the historical rental/fee paid by the CPP Group to the OSIL Group, the annual depreciation expenses and the provision for possible annual increase in government levy.

**INFORMATION ON THE PARTIES**

The CPP Group is principally engaged in the manufacture and sale of animal feed products in PRC and Vietnam; breeding, farming and sale of livestock and aquatic animals, and the manufacture and sale of value-added processed food products in Vietnam. Additionally, the CPP Group is also involved in various other relatively smaller businesses, including the manufacture and sale of chlortetracycline products, the manufacture and sale of motorcycles and automotive parts and trading of machinery.

OSIL is an investment holding company and indirectly wholly-owned by CPG.

**REASONS FOR RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The Directors consider that the Renewed Master Business Carve-out Agreement will enable the CPP Group to continue to generate income from the idle non-feed production facilities of the CPP Group (comprising land, buildings and plant and machinery) located in the PRC, by leasing to the OSIL Group for its non-feed production activities.

The Directors also consider that the Renewed Master Lease Agreement will enable the CPP Group to continue to expand its feed business, through the leasing of additional facilities owned by the OSIL Group and/or its related entities.

The Directors (including the independent non-executive Directors) believe that the terms of the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement (including the respective annual caps) are on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole. As Mr. Dhanin Chearavanont, the chairman of the Company, together with other members of the Chearavanont Shareholders, has a controlling interest in OSIL, the Board considers that Mr. Dhanin Chearavanont has a material interest in the transactions contemplated under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement, and accordingly Mr. Dhanin Chearavanont has abstained from voting on the resolutions tabled at the relevant Board meeting. Other than Mr. Dhanin Chearavanont who has abstained from voting, no other Director has a material interest in the transactions contemplated under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement, and hence no other Director has abstained from voting on the board resolutions approving the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement.

## LISTING RULES IMPLICATIONS

CPF is interested in approximately 67.5% of the Shares in issue and approximately 45.1% of its issued share capital is held by CPG as at the date of this announcement. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG and its direct and indirect subsidiaries, including OSIL, as connected persons of the Company within the meaning of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the annual caps under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement are more than 0.1% but less than 5%, the transactions under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement constitute non-exempt continuing connected transactions of the Company subject to the reporting and announcement requirements pursuant to Rules 14A.34 of the Listing Rules and exempt from the independent shareholders' approval requirement 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.

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| "Board" | the board of directors 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 67.5% of the Shares in issue |
| "Continuing Connected Transactions" | the continuing connected transactions under the Renewed Master Business Carve-out Agreement and the Renewed Master Lease Agreement |
| "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 |
| "CPF" | Charoen Pokphand Foods Public Company Limited, a company organised and existing under the laws of the Kingdom of Thailand |
| "CPG" | Charoen Pokphand Group Company Limited, a company organised 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 companies from time to time |
| "Directors" | the directors of the Company |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Master Business Carve-out Agreement” | the 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 located 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 |
| “Master Lease Agreement” | the 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 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 |
| “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 |
| “Renewed Master Business Carve-out Agreement” | the agreement dated 31 December 2012 made between the Company as provider and OSIL as operator for the lease and/or use of relevant fixed assets located 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 with an initial term of three years until 31 December 2015 and shall be automatically renewed unless earlier terminated by either party |
| “Renewed Master Lease Agreement” | the agreement dated 31 December 2012 made between OSIL as provider and the Company as operator for the lease and/or use of relevant fixed assets 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 with an initial term of three years until 31 December 2015 and shall be automatically renewed unless earlier terminated by either party |
| “PRC” | the People’s Republic of China excluding for this purpose, Hong Kong, the Macau Special Administrative Region and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “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 RMB into US$ for indication only is: US$1.0 = RMB6.3.*

Hong Kong, 31 December 2012

*As at the date of this announcement, the Board comprises nine executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Thanakorn Seriburi, 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 Mr. Yanyong Phuangrach.*