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

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 43)*

## **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

### **THE ACQUISITION**

On 21 May 2014, Chia Tai Investment, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Chia Tai China Agro, an indirect subsidiary of Thana Holding, pursuant to which Chia Tai Investment conditionally agreed to purchase the entire equity interest in Kaifeng Chia Tai at the Acquisition Consideration. Upon the Acquisition Completion, Kaifeng Chia Tai will become an indirect wholly-owned subsidiary of the Company.

### **THE DISPOSAL**

On the same date, CPP entered into the Disposal Agreement with CT Bright, an indirect subsidiary of CPG, pursuant to which CPP conditionally agreed to dispose of the entire issued share capital in Rapid Thrive at the Disposal Consideration. Upon the Disposal Completion, Rapid Thrive will cease to be a subsidiary of the Company.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CPF is interested in approximately 70.85% of the Shares in issue and approximately 39.1% of CPF's issued share capital is held by CPG. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG and its direct and indirect subsidiaries as connected persons of the Company within the meaning of the Listing Rules. CT Bright is an indirect subsidiary of CPG and therefore treated as a connected person of the Company.

CPG is owned as to approximately 51.3% of its issued share capital by the Chearavanont Shareholders in aggregate, and they also own approximately 51.3% of the issued share capital of Thana Holding. Due to the Chearavanont Shareholders' aggregate majority shareholding in CPG and as they also hold in aggregate the majority shareholding in Thana Holding, Thana Holding and its associates, including Chia Tai China Agro, are also treated as connected persons of the Company for the purposes of the Listing Rules. The transactions contemplated under the Acquisition Agreement and the Disposal Agreement are therefore treated as connected transactions for the Company under the Listing Rules.

Reference is made to the announcement of the Company dated 24 February 2014 where the Company announced that Chia Tai Investment as the purchaser and Chia Tai China Agro as the vendor entered into the Hefei Acquisition Agreement for the Hefei Acquisition. Since the Acquisition, the Disposal and the Hefei Acquisition were entered into by the Company with

the same party or with parties connected or otherwise associated with one another, the Company has in this instance aggregated these transactions and treat them as if they were one transaction.

As one or more of the relevant percentage ratios for the Acquisition, the Disposal and the Hefei Acquisition when aggregated pursuant to Rule 14.22 of the Listing Rules is on this basis over 5% but less than 25%, the transactions contemplated under the Acquisition, the Disposal and the Hefei Acquisition also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

On the above basis, the Acquisition and the Disposal are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules applicable to connected transactions as if the same were to be applicable, and the reporting and disclosure requirements under Chapter 14 of the Listing Rules applicable to discloseable transactions.

### **SHAREHOLDERS' APPROVAL AND INDEPENDENT BOARD COMMITTEE**

The Company will convene the SGM to seek, amongst other things, the approval of the Independent Shareholders of the Acquisition Agreement and the approval of the Disposal Agreement and the transactions contemplated thereunder. The Chearavanont Shareholders and their respective associates, including CPF, will abstain from voting at the SGM in respect of each of the resolutions on these matters.

The Independent Board Committee has been established to consider the terms of the Acquisition Agreement and the Disposal Agreement and CMB International Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition Agreement and the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **CIRCULAR**

A circular containing, amongst other things, (i) further information on the Acquisition and the Disposal; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Acquisition and the Disposal; and (iv) a notice convening the SGM is expected to be dispatched to Shareholders on or before 12 June 2014 in accordance with the Listing Rules.

**Completion of the Acquisition and the Disposal are subject to various conditions and may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

### **THE ACQUISITION**

On 21 May 2014, Chia Tai Investment, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Chia Tai China Agro, an indirect subsidiary of Thana Holding pursuant to which Chia Tai Investment conditionally agreed to purchase the entire equity interest in Kaifeng Chia Tai at the Acquisition Consideration.

A summary of the major terms of the Acquisition Agreement is set out below:

Date : 21 May 2014

Parties : Chia Tai China Agro (as vendor); and  
Chia Tai Investment (as purchaser)

***Interest to be acquired***

Pursuant to the Acquisition Agreement, Chia Tai China Agro conditionally agreed to transfer to Chia Tai Investment the entire equity interest in Kaifeng Chia Tai. Upon the Acquisition Completion, Kaifeng Chia Tai will become an indirect wholly-owned subsidiary of the Company.

***The Acquisition Consideration and payment***

The Acquisition Consideration is RMB311 million (equivalent to approximately US\$49.8 million), which will be paid in full by cash by Chia Tai Investment within six months from the date of the Acquisition Completion. The Acquisition Consideration will be funded by the Group's own financial resources.

The Acquisition Consideration was arrived at after arm's length negotiations between Chia Tai Investment and Chia Tai China Agro by reference to, amongst other things,

- (i) the net profit after tax of Kaifeng Chia Tai for the year ended 31 December 2013; and
- (ii) taking into account the fact that Kaifeng Chia Tai is principally engaged in the feed business in China, the implied price earnings ratio of approximately 10.7 times for the acquisition by the Group of a group of companies principally engaged in the feed business in China pursuant to an agreement made in December 2009. The details of the acquisition were set out in an announcement and a circular issued by the Company on 11 December 2009 and 31 December 2009, respectively.

***Conditions of the Acquisition Completion***

The Acquisition Completion is conditional upon:

- (a) approval of the transactions under the Acquisition Agreement by the non-interested shareholders at a shareholders' meeting of CPF convened in compliance with the notifications of the Capital Market Supervisory Board and the Stock Exchange of Thailand; and
- (b) approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM convened in compliance with the Listing Rules.

If any of the above conditions specified in the Acquisition Agreement is not fulfilled on or before 31 December 2014 (or such later date as the parties may agree), the Acquisition Agreement will forthwith become null and void and cease to have any effect.

### ***The Acquisition Completion***

Subject to the fulfilment of the conditions stated above, the Acquisition Completion shall take place on the day on which Chia Tai Investment is registered as the sole shareholder of Kaifeng Chia Tai with the issuance of the business license of Kaifeng Chia Tai to Chia Tai Investment by the relevant PRC government authority.

### **THE DISPOSAL**

On 21 May 2014, CPP entered into the Disposal Agreement with CT Bright, an indirect subsidiary of CPG, pursuant to which CPP conditionally agreed to dispose of the entire issued share capital in Rapid Thrive at the Disposal Consideration.

A summary of the major terms of the Disposal Agreement is set out below:

Date : 21 May 2014

Parties : CPP (as vendor); and  
CT Bright (as purchaser)

### ***Interest to be disposed of***

Pursuant to the Disposal Agreement, CPP conditionally agreed to transfer to CT Bright the entire issued share capital in Rapid Thrive. Rapid Thrive is an investment holding company which holds 100% issued share capital in Ek Chor Investment. The principal activities of Ek Chor Investment are investment holding and, through its joint venture, engages in the manufacture and sale of motorcycles in the PRC. Upon the Disposal Completion, Rapid Thrive will cease to be a subsidiary of the Company and the Group will no longer be engaged in the manufacture and sale of motorcycles.

### ***The Disposal Consideration and payment***

The Disposal Consideration is US\$49.5 million which shall be satisfied in cash by CT Bright within six months from the date of the Disposal Completion.

The Disposal Consideration was arrived at after arm's length negotiations between CPP and CT Bright with reference to various factors. Based on the Disposal Consideration of US\$49.5 million and the consolidated profit after taxation of Ek Chor Investment for the year ended 31 December 2013 of approximately US\$2.9 million, the implied price earnings ratio of the Disposal is approximately 17.1 times.

### ***Conditions of the Disposal Completion***

The Disposal Completion is conditional upon:

- (a) approval of the transactions under the Disposal Agreement by the non-interested shareholders at a shareholders' meeting of CPF convened in compliance with the notifications of the Capital Market Supervisory Board and the Stock Exchange of Thailand; and
- (b) approval of the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM convened in compliance with the Listing Rules.

If any of the above conditions specified in the Disposal Agreement is not fulfilled on or before 31 December 2014 (or such later date as the parties may agree), the Disposal Agreement will forthwith become null and void and cease to have any effect.

### ***The Disposal Completion***

Subject to the fulfilment of the conditions stated above, the Disposal Completion shall take place on the third business day following the day on which CT Bright is registered as the sole shareholder of Rapid Thrive.

## **INFORMATION ON THE PARTIES**

The Group is principally engaged in the manufacture and sale of animal feed products and value-added processed food products in the PRC and Vietnam; and breeding, farming and sale of livestock and aquatic animals in Vietnam. Additionally, the 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.

### **The Acquisition**

Chia Tai Investment is an investment holding company and is indirectly wholly-owned by the Company.

Chia Tai China Agro is an investment holding company and indirectly owned by Thana Holding, which is in turn owned as to approximately 51.3% by the Chearavanont Shareholders in aggregate.

Kaifeng Chia Tai is principally engaged in the manufacture and sale of animal feed products. Kaifeng Chia Tai was incorporated in 1985 and the registered capital of Kaifeng Chia Tai was US\$10 million.

Based on Kaifeng Chia Tai's audited accounts for each of the two financial years ended 31 December 2013 prepared in accordance with PRC generally accepted accounting principles, the audited profit of Kaifeng Chia Tai was as follows:

	Financial year ended 31 December	
	2012	2013
	(RMB million)	(RMB million)
Audited profit before taxation	36.1	37.5
Audited profit after taxation	27.0	29.1

The net asset value of Kaifeng Chia Tai as at 31 December 2013, based on its audited accounts prepared in accordance with PRC generally accepted accounting principles, was RMB 32.9 million (approximately US\$5.3 million).

### **The Disposal**

CT Bright is an investment holding company and is indirectly owned by CPG.

Rapid Thrive is an investment holding company, the principal asset of which is its holding of the entire issued share capital of Ek Chor Investment. The principal activities of Ek Chor Investment are investment holding and, through its joint venture, engages in the manufacture and sale of motorcycles in the PRC.

Based on Ek Chor Investment's unaudited consolidated financial information for each of the two financial years ended 31 December 2013, the unaudited consolidated profit of Ek Chor Investment was as follows:

	Financial year ended 31 December	
	2012 (US\$ million)	2013 (US\$ million)
Unaudited consolidated profit before taxation	4.6	3.3
Unaudited consolidated profit after taxation	4.0	2.9

The unaudited consolidated net asset value of Ek Chor Investment as at 31 December 2013 was US\$36.3 million.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL**

### **The Acquisition**

The Group is principally engaged in the manufacture and sale of animal feed products and value-added processed food products in the PRC and Vietnam. Kaifeng Chia Tai is a well established manufacturer of animal feed products located in the PRC. The Acquisition will allow the Group to increase its feed production capacity in the PRC and further reinforce the Group's leading position in the feed industry.

### **The Disposal, Financial Effect of and Use of Proceeds from the Disposal**

Ek Chor Investment is engaged in investment holding and, through its joint venture, engages in the manufacture and sale of motorcycles in the PRC. The Directors consider that the Disposal will allow the Group to focus its resources and apply the proceeds from the Disposal on its core agri-food businesses.

Assuming that the Disposal had taken place on 30 April 2014, based on the Disposal Consideration of US\$49.5 million, the consolidated net asset value of Ek Chor Investment of approximately US\$38.0 million and the amount due from Ek Chor Investment to the Group of approximately US\$11.4 million, the amount of reserves released on completion of the Disposal of approximately US\$8.2 million as at 30 April 2014 and an estimated capital gains tax in the PRC of approximately US\$1.8 million in connection with the Disposal, the Group is expected to realise an unaudited gain of approximately US\$6.5 million from the Disposal.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider the terms of the Acquisition Agreement and the Disposal Agreement are on normal commercial terms, fair and reasonable and in the 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 70.85% of the Shares in issue and approximately 39.1% of CPF's issued share capital is held by CPG. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG and its direct and indirect subsidiaries as connected persons of the Company within the meaning of the Listing Rules. CT Bright is an indirect subsidiary of CPG and therefore treated as a connected person of the Company.

CPG is owned as to approximately 51.3% of its issued share capital by the Chearavanont Shareholders in aggregate, and they also own approximately 51.3% of the issued share capital of Thana Holding. Due to the Chearavanont Shareholders' aggregate majority shareholding in CPG and as they also hold in aggregate the majority shareholding in Thana Holding, Thana Holding and its associates, including Chia Tai China Agro, are also treated as connected persons of the Company for the purposes of the Listing Rules. The transactions contemplated under the Acquisition Agreement and the Disposal Agreement are therefore treated as connected transactions for the Company under the Listing Rules.

Reference is made to the announcement of the Company dated 24 February 2014 where the Company announced that Chia Tai Investment as the purchaser and Chia Tai China Agro as the vendor entered into the Hefei Acquisition Agreement for the Hefei Acquisition. Since the Acquisition, the Disposal and the Hefei Acquisition were entered into by the Company with the same party or with parties connected or otherwise associated with one another, the Company has in this instance aggregated these transactions and treat them as if they were one transaction.

As one or more of the relevant percentage ratios for the Acquisition, the Disposal and the Hefei Acquisition when aggregated pursuant to Rule 14.22 of the Listing Rules is on this basis over 5% but less than 25%, the transactions contemplated under the Acquisition, the Disposal and the Hefei Acquisition also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

On the above basis, the Acquisition and the Disposal are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules applicable to connected transactions as if the same were to be applicable, and the reporting and disclosure requirements under Chapter 14 of the Listing Rules applicable to discloseable transactions.

## **SHAREHOLDERS' APPROVAL AND INDEPENDENT BOARD COMMITTEE**

The Company will convene the SGM to seek, amongst other things, the approval of the Independent Shareholders of the Acquisition Agreement and the approval of the Disposal Agreement and the transactions contemplated thereunder. The Chearavanont Shareholders and their respective associates, including CPF, will abstain from voting at the SGM in respect of each of the resolutions on these matters.

The Independent Board Committee has been established to consider the terms of the Acquisition Agreement and the Disposal Agreement and CMB International Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition Agreement and the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, amongst other things, (i) further information on the Acquisition and the Disposal; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Acquisition and the Disposal; and (iv) a notice convening the SGM is expected to be dispatched to Shareholders on or before 12 June 2014 in accordance with the Listing Rules.

**Completion of the Acquisition and the Disposal are subject to various conditions and may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 100% equity interest in Kaifeng Chia Tai by Chia Tai Investment from Chia Tai China Agro under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 21 May 2014 entered into between Chia Tai Investment and Chia Tai China Agro in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition under the Acquisition Agreement
“Acquisition Consideration”	the total consideration payable by Chia Tai Investment for the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 interested in approximately 51.3% of CPG
“Chia Tai China Agro”	Chia Tai (China) Agro-Industrial Ltd., a company organised and existing under the laws of Bermuda and an indirect subsidiary of Thana Holding
“Chia Tai Investment”	正大(中國)投資有限公司 (Chia Tai (China) Investment Co. Ltd.), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“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 organized and existing under the laws of the Kingdom of Thailand
“CPG”	Charoen Pokphand Group Company Limited, a company organized and existing under the laws of the Kingdom of Thailand and owned as to 51.3% by the Chearavanont Shareholders
“CT Bright”	CT Bright Holdings Limited, a company incorporated in the British Virgin Islands and an indirect subsidiary of CPG
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 100% issued share capital in Rapid Thrive by CPP to CT Bright under the Disposal Agreement
“Disposal Agreement”	the agreement dated 21 May 2014 entered into between CPP and CT Bright in relation to the Disposal
“Disposal Completion”	completion of the Disposal under the Disposal Agreement
“Disposal Consideration”	the total consideration payable by CT Bright for the Disposal
“Ek Chor Investment”	Ek Chor Investment Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Rapid Thrive
“Group”	the Company and its subsidiaries from time to time
“Hefei Acquisition”	the acquisition of the entire equity interest in 合肥正大有限公司 (Hefei Chia Tai Co., Ltd.) by Chia Tai Investment from Chia Tai China Agro at a consideration of RMB220 million (approximately US\$35.2 million) under the Hefei Acquisition Agreement
“Hefei Acquisition Agreement”	the agreement dated 24 February 2014 entered into between Chia Tai Investment and Chia Tai China Agro for the Hefei Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the Company’s independent non-executive Directors, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasgarnvej and Mrs. Vatchari Vimooktayon, which has been established to advise the Independent Shareholders in respect of the Acquisition and the Disposal

“Independent Shareholders”	Shareholders other than the Chearavanont Shareholders and their respective associates
“Kaifeng Chia Tai”	開封正大有限公司 (Kaifeng Chia Tai Co., Ltd.), a limited liability company incorporated in the PRC and is principally engaged in the manufacture and sale of animal feed products
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding for this purpose, Hong Kong, the Macau Special Administrative Region and Taiwan
“Rapid Thrive”	Rapid Thrive Limited, a limited company incorporated in the British Virgin Islands and a direct wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the Disposal Agreement
“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
“Thana Holding”	Thana Holding Company Limited, a company organised and existing under the laws of the Kingdom of Thailand and owned as to 51.3% by the Chearavanont Shareholders
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percentage

By Order of the Board  
**Arunee Watcharananan**  
*Director*

Hong Kong, 21 May 2014

*Note: For the purpose of this announcement, the exchange rate for the conversion of RMB into US\$ is US\$1.00 = RMB6.25*

*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 Mrs. Vatchari Vimooktayon.*