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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH ITOCHU

THE 2020 MASTER ITOCHU SUPPLY AGREEMENT AND THE 2020 MASTER ITOCHU PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 30 October 2019 relating to, among other things, the 2019 Master ITOCHU Supply Agreement and the 2019 Master ITOCHU Purchase Agreement. As the 2019 Master ITOCHU Supply Agreement and the 2019 Master ITOCHU Purchase Agreement will expire on 31 December 2020, on 18 November 2020, the Company entered into the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement respectively with ITOCHU to continue the ongoing supply and purchase arrangements under the existing agreements upon similar terms.

LISTING RULES IMPLICATIONS

As explained in the section headed “Listing Rules Implications” below, the transactions contemplated under the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement are continuing connected transactions of the Company under the Listing Rules and are subject to certain compliance requirements under the Listing Rules.

THE 2020 MASTER ITOCHU SUPPLY AGREEMENT AND THE 2020 MASTER ITOCHU PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 30 October 2019 relating to, among other things, the 2019 Master ITOCHU Supply Agreement and the 2019 Master ITOCHU Purchase Agreement. As the 2019 Master ITOCHU Supply Agreement and the 2019 Master ITOCHU Purchase Agreement will expire on 31 December 2020, on 18 November 2020, the Company entered into the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement respectively with ITOCHU to continue the ongoing supply and purchase arrangements under the existing agreements upon similar terms.

The major terms of the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement are summarised below:

1 2020 MASTER ITOCHU SUPPLY AGREEMENT

(a) Date

18 November 2020

(b) Parties

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

(c) Subject matter

Supply and sale of the CPP Supply Products by the Group to the ITOCHU Group.

(d) Pricing policy

The pricing policy provided in the 2020 Master ITOCHU Supply Agreement is the same as in the 2019 Master ITOCHU Supply Agreement.

As a general principle, the prices and terms of each individual order under the 2020 Master ITOCHU Supply Agreement will be on normal commercial terms and negotiated between the Group and the ITOCHU Group on an arm's length basis similar to other transactions which the Group conducts with independent third party customers and on terms which are no less favourable to the Group than those provided to independent third party customers.

Prices of the CPP Supply Products will be determined with reference to the prevailing market prices of the CPP Supply Products in the relevant market at the relevant time, taking into account cost of raw materials, other value added (for example, manufacturing and marketing) and profit margins. The Group maintains different profit margins for such products depending on the type of CPP Supply Products. In determining the prevailing market prices of the CPP Supply Products, the Group will compare competitive prices of similar products offered by independent third-party suppliers and prices of similar products offered by the Group to independent third-party customers. Volume discounts will be granted to customers (including the ITOCHU Group) if the annual purchase volume reaches certain specified levels. The actual methods and procedures adopted by the Group to determine the prices of the

CPP Supply Products supplied to the ITOCHU Group are the same as those used to determine the prices of products to be supplied to independent third party customers.

(e) Payment terms

The Group will generally offer credit terms consistent with the generally accepted market practice from time to time. The payment terms for the ITOCHU Group shall be the same as the payment terms for independent third party customers. Interest shall be charged by the Group for any overdue payment.

(f) Term

The Master ITOCHU Supply Agreement shall take effect from 1 January 2021 and continue until 31 December 2023.

(g) Historical amount of supply transactions

	For the financial year ended 31 December 2019	For the nine-month ended 30 September 2020
Historical transaction amount in aggregate paid by the ITOCHU Group for the CPP Supply Products	US\$2.5 million	US\$2.4 million

(h) Proposed Annual caps

	Proposed Annual Cap		
	For the financial year ending 31 December		
	2021	2022	2023
2020 Master ITOCHU Supply Agreement	US\$10 million	US\$12 million	US\$15 million

The above annual caps have been determined by reference to (i) the value of the historical sales for each of the financial year ended 31 December 2019 and the nine-month ended 30 September 2020; and (ii) the increase in the overall sales volume of the CPP Supply Products to the ITOCHU Group which the Group projects for the remaining part of 2020 and the financial years ending 31 December 2021, 2022 and 2023.

2 2020 MASTER ITOCHU PURCHASE AGREEMENT

(a) Date

18 November 2020

(b) Parties

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

(c) Subject matter

Purchase of the CPP Purchase Products by the Group from the ITOCHU Group.

(d) Pricing policy

The pricing policy provided in the 2020 Master ITOCHU Purchase Agreement is the same as in the 2020 Master ITOCHU Purchase Agreement.

As a general principle, the price and terms of each individual order under the 2020 Master ITOCHU Purchase Agreement will be on normal commercial term and negotiated between the Group and the ITOCHU Group on an arm’s length basis similar to other transactions which the Group conducts with independent third party suppliers and on terms which are no less favourable to the Group than those offered by independent third party suppliers.

The Group will compare the quote from the ITOCHU Group with quotes from at least two independent third party suppliers for similar volume of the same or similar products of comparable standards before confirming from which supplier the Group would make the purchase. The process is to ensure that the prices of the CPP Purchase Products offered by the ITOCHU Group are no higher than those of a similar volume and comparable standards offered by independent third party suppliers.

(e) Payment terms

The Group will generally request for credit terms consistent with the generally accepted market practice from time to time. The payment terms for the CPP Group shall be the same as the payment terms offered by independent third party suppliers. Interest shall be charged by the ITOCHU Group for any overdue payment.

(f) Term

The Master ITOCHU Purchase Agreement shall take effect from 1 January 2021 and continue until 31 December 2023.

(g) Historical amount of purchase transactions

	For the financial year ended 31 December 2019	For the nine-month ended 30 September 2020
Historical transaction amount in aggregate paid by the Group for the CPP Purchase Products	US\$4.4 million	US\$1.4 million

(h) Proposed Annual caps

		Proposed Annual Cap For the financial year ending 31 December		
		2021	2022	2023
2020	Master	US\$10 million	US\$12 million	US\$15 million
ITOCHU Purchase Agreement				

The above annual caps have been determined by reference to (i) the value of the historical purchases for each of the financial year ended 31 December 2019 and the nine-month ended 30 September 2020; and (iii) the increase in the overall purchase volume of the CPP Purchase Products from the ITOCHU Group which the Group projects for the financial years ending 31 December 2021, 2022 and 2023.

3 REASONS FOR RENEWAL OF THE TRANSACTIONS

The Directors consider that the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement will enable the Group to continue to (a) supply the CPP Supply Products to the ITOCHU Group in the ordinary course of business and generate turnover for the Group; and (b) purchase the CPP Purchase Products required by the Group in the production of feed-related, farm-related and food-related products from the ITOCHU Group as a reliable, diverse and competitively priced source of supply.

The Board considered that Mr. Yoichi Ikezoe had a material interest in the transactions contemplated under the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement in view of his significant executive functions in ITOCHU and certain other companies in the ITOCHU Group, and accordingly he abstained from voting on the resolutions relating to the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement. Save as disclosed above, none of the other Directors was required to abstain from voting on the board resolutions.

The Directors (including the independent non-executive Directors) are of the opinion that the 2020 Master ITOCHU Supply Agreement, the 2020 Master ITOCHU Purchase Agreement and the transactions thereunder (including the respective annual caps) are on normal commercial terms and entered into in the ordinary and usual course of business of the Group, that the terms are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

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, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) manufacture and sale of value-added, processed food products.

ITOCHU is a company incorporated in Japan and its securities are listed on the Tokyo Stock Exchange. The operations of the ITOCHU Group cover a broad spectrum of industries. These

include the trading of the CPP Supply Products and the CPP Purchase Products in the geographical regions in which the Group operates.

LISTING RULES IMPLICATIONS

As at the date of this announcement, ITOCHU is interested in approximately 25% of the Shares in issue and is a substantial shareholder of the Company. Accordingly, the transactions contemplated under the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement would be continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the proposed annual caps under the 2020 Master ITOCHU Supply Agreement and the 2020 Master ITOCHU Purchase Agreement would be more than 0.1% but less than 5%, the transactions thereunder are subject to the reporting and the announcement requirements but is exempted from the circular (including independent financial advice) and the 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.

“2019 Master ITOCHU Purchase Agreement”	the agreement dated 30 October 2019 made between the Company as purchaser and ITOCHU as supplier for the purchase of the CPP Purchase Products by the Group from the ITOCHU Group
“2019 Master ITOCHU Supply Agreement”	the agreement dated 30 October 2019 made between the Company as supplier and ITOCHU as purchaser for the supply of the CPP Supply Products by the Group to the ITOCHU Group
“2020 Master ITOCHU Purchase Agreement”	the agreement dated 18 November 2020 made between the Company as purchaser and ITOCHU as supplier for the purchase of the CPP Purchase Products by the Group from the ITOCHU Group with a term of three years from 1 January 2021 to 31 December 2023
“2020 Master ITOCHU Supply Agreement”	the agreement dated 18 November 2020 made between the Company as supplier and ITOCHU as purchaser for the supply of the CPP Supply Products by the Group to the ITOCHU Group with a term of three years from 1 January 2021 to 31 December 2023
“associate”	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
“CPP Purchase Products”	Feed raw materials, packaging materials, breed and farm livestock and aqua stock, meats and other items required in the production and sale of animal and aqua feed, farm and food products (with related services)
“CPP Supply Products”	Feed-related, farm-related and food-related products (with related services) produced or procured by the Group, such as animal feed, feed raw materials, livestock, aquatic stock, and processed meats and food products
“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 People’s Republic of China
“ITOCHU”	ITOCHU Corporation, a company incorporated in Japan, the securities of which are listed and traded on the Tokyo Stock Exchange
“ITOCHU Group”	ITOCHU and its subsidiaries from time to time
“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
“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
“substantial shareholder”	has the meaning ascribed to this term in the Listing Rules

“US\$”

United States dollars, the lawful currency of the
United States of America

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 18 November 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.