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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 43)

### **CONTINUING CONNECTED TRANSACTION**

#### **2018 MASTER TRADEMARK SUB-LICENCE AGREEMENT AND THE PROPOSED ANNUAL CAPS**

Reference is made to the announcement of the Company dated 28 February 2017 in relation to the 2017 Master Trademark Sub-licence Agreement. As the 2017 Master Trademark Sub-licence Agreement will expire on 13 August 2018, the Company has entered into the 2018 Master Trademark Sub-licence Agreement with CT Animal Husbandry on 10 August 2018 to continue the Trademark sub-licence arrangement.

Pursuant to the 2018 Master Trademark Sub-licence Agreement, CT Animal Husbandry has agreed to sub-licence to CP China Subsidiaries a non-exclusive right to use the Trademark in the PRC in accordance with the terms and conditions of the 2018 Master Trademark Sub-licence Agreement.

The cap for the royalty fee to be paid by CP China Subsidiaries to CT Animal Husbandry under the 2018 Master Trademark Sub-licence Agreement for the period between 14 August 2018 and 31 December 2018 and for each of the financial years ending 31 December 2019 and 2020 are proposed to be US\$0.7 million (approximately HK\$5.5 million), US\$5.0 million (approximately HK\$39.3 million) and US\$7.2 million (approximately HK\$56.5 million) respectively.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CPF is interested in approximately 47.8% of the Shares in issue and CPG holds approximately 48.99% of the issued share capital of CPF. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company. Accordingly CPG and its subsidiaries and their respective associates are treated as connected persons of the Company. As CT Animal Husbandry is a subsidiary of CPG, the transaction contemplated under the 2018 Master Trademark Sub-licence Agreement is treated as a continuing connected transaction 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 2018 Master Trademark Sub-licence Agreement are more than 0.1% but less than 5%, the transaction under the 2018 Master Trademark Sub-licence Agreement is subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **CONTINUING CONNECTED TRANSACTION**

### **2018 MASTER TRADEMARK SUB-LICENCE AGREEMENT**

Reference is made to the announcement of the Company dated 28 February 2017 in relation to the 2017 Master Trademark Sub-licence Agreement. As the 2017 Master Trademark Sub-licence Agreement will expire on 13 August 2018, the Company has entered into the 2018 Master Trademark Sub-licence Agreement with CT Animal Husbandry on 10 August 2018 to continue the Trademark sub-licence arrangement.

The major terms of the 2018 Master Trademark Sub-licence Agreement are summarised below:

**(a) Date**

10 August 2018

**(b) Parties**

- (i) CT Animal Husbandry (as licensor)
- (ii) CP China Investment (as licensee)

**(c) Subject matter**

The sub-licence by CT Animal Husbandry to CP China Investment of a non-exclusive right of use of the Trademark in the PRC in connection with the production, distribution and sale of certain designated food products under Class 29, and the provision of ancillary retail, management and consultancy services under Class 35.

**(d) Royalty fee**

The following royalty fee is payable by CP China Subsidiaries in respect of the use of the Trademark under Class 29:

- (i) equivalent to 0.2% of the net sale value of fresh-food products; and
- (ii) equivalent to 0.4% of the net sale value of cooked-food products.

The royalty rates, the same as that of 2017, were arrived at after arm's length negotiations between CP China Investment and CT Animal Husbandry with reference to the royalty fees charged by other licensors for similar transactions and the prevailing market conditions.

No additional royalty fee is payable for the use of the Trademark in providing ancillary retail, management and consultancy services under Class 35.

**(e) Payment terms**

The royalty fee shall be assessed by CT Animal Husbandry on a quarterly basis based on the books and records of CP China Subsidiaries and shall be payable in accordance with the invoices to be issued by CT Animal Husbandry. CP China Investment has agreed to submit the relevant books and records of CP China Subsidiaries to CT Animal Husbandry for examination.

**(f) Term**

The 2018 Master Trademark Sub-licence Agreement will take effect from 14 August 2018 and continue until 31 December 2020.

**(g) Historical amount**

The historical amount paid by CP China Subsidiaries to CT Animal Husbandry under the 2017 Master Trademark Sub-licence Agreement for the periods between 1 March 2017 and 31 December 2017 and between 1 January 2018 and 30 June 2018 were US\$0.6 million (approximately HK\$4.6 million) and US\$0.6 million (approximately HK\$4.8 million) respectively.

**(h) Annual caps**

The cap for the royalty fee to be paid by CP China Subsidiaries to CT Animal Husbandry under the 2018 Master Trademark Sub-licence Agreement for the period between 14 August 2018 and 31 December 2018 and for each of the financial years ending 31 December 2019 and 2020 are proposed to be US\$0.7 million (approximately HK\$5.5 million), US\$5.0 million (approximately HK\$39.3 million) and US\$7.2 million (approximately HK\$56.5 million) respectively.

The above annual caps were determined with reference to (i) the historical net sale values of fresh-food products and cooked-food products of CP China Subsidiaries; (ii) the projected increase in sales of fresh-food products and cooked-food products arising from the expected commencement of commercial production at several new food factories of CP China Subsidiaries in the coming years; and (iii) additional growth in the business of the existing food factories of CP China Subsidiaries in the coming years.

**INFORMATION ON THE PARTIES**

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

CP China Investment is an investment holding company and directly wholly-owned by the Company.

CT Animal Husbandry is an investment holding company and indirectly wholly-owned by CPG.

CPG is an investment holding company.

**REASONS FOR ENTERING INTO THE 2018 MASTER TRADEMARK SUB-LICENCE AGREEMENT**

The Trademark, which was registered in the PRC by CPG and for which CT Animal Husbandry holds a non-exclusive licence to use and sub-licence, is a well-known and famous brand in the China agri-food market. The Directors believe that it is in the best interest of CP China Investment to enter into the 2018 Master Trademark Sub-licence

Agreement as the usage of the Trademark by CP China Investment and its subsidiaries will promote their sales and strengthen their position in the China agri-food market.

The Directors (including the independent non-executive Directors) believe that the 2018 Master Trademark Sub-licence Agreement is on normal commercial terms and is entered into in the ordinary and usual course of business of the Group, and that the terms of the 2018 Master Trademark Sub-licence Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board considered that each of Mr. Dhanin Chearavanont (chairman and executive director of the Company), Mr. Adirek Sripratak, Mr. Soopakij Chearavanont (both vice chairmen and executive directors of the Company), Mr. Suphachai Chearavanont and Mrs. Arunee Watcharananan (both executive directors of the Company) had a material interest in the transaction contemplated under the 2018 Master Trademark Sub-licence Agreement in view of their respective shareholdings in CPG, and accordingly all of them had abstained from voting on the resolutions relating to the 2018 Master Trademark Sub-licence Agreement. Save as disclosed above, none of the other Directors had a material interest in the transaction contemplated under the 2018 Master Trademark Sub-licence Agreement, and hence none of the other Directors had abstained from voting on the board resolutions for approving the 2018 Master Trademark Sub-licence Agreement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CPF is interested in approximately 47.8% of the Shares in issue and CPG holds approximately 48.99% of the issued share capital of CPF. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company, accordingly CPG and its subsidiaries and their respective associates are treated as connected persons of the Company. As CT Animal Husbandry is a subsidiary of CPG, the transaction contemplated under the 2018 Master Trademark Sub-licence Agreement is treated as a continuing connected transaction 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 2018 Master Trademark Sub-licence Agreement are more than 0.1% but less than 5%, the transaction under the 2018 Master Trademark Sub-licence Agreement is subject to the reporting and announcement requirements but is exempted 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:

“2017 Master Trademark Sub-licence Agreement”

the agreement dated 28 February 2017 made between CT Animal Husbandry as licensor and CP China Investment as licensee, for the sub-licence of a non-exclusive right of use of the Trademark in connection with the production, distribution and sale of certain designated food products under Class 29 and the provision of ancillary retail, management and consultancy services under Class 35, for the period from 1 March 2017 to 13 August 2018

“2018 Master Trademark Sub-licence Agreement”	the agreement dated 10 August 2018 made between CT Animal Husbandry as licensor and CP China Investment as licensee, for the sub-licence of a non-exclusive right of use of the Trademark in connection with the production, distribution and sale of certain designated food products under Class 29 and the provision of ancillary retail, management and consultancy services under Class 35, for the period from 14 August 2018 to 31 December 2020
“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
“CP China Investment”	CP China Investment Limited, a company organised and existing under the laws of the Cayman Islands
“CP China Subsidiaries”	subsidiaries of CP China Investment in the PRC
“CPF”	Charoen Pokphand Foods Public Company Limited, a company organised and existing under the laws of the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand
“CPG”	Charoen Pokphand Group Company Limited, a company organised and existing under the laws of the Kingdom of Thailand
“CT Animal Husbandry”	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd., a limited liability company incorporated in the PRC
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 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
“Trademark”	the sign “CP” represented graphically and registered by CPG in the PRC under Class 29 in connection with certain designated food products and under Class 35 in connection with the provision of certain designated services
“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\$7.85.*

Hong Kong, 10 August 2018

*As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont, Mr. Suphachai 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. Ma Andrew Chiu Cheung, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasarnvej and Mrs. Vatchari Vimooktayon.*