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

(Incorporated in Bermuda with limited liability)  
(Stock Code: 43)

**CONNECTED TRANSACTIONS  
IN RELATION TO THE SAP SYSTEM LICENSE AND IMPLEMENTATION**

**CONNECTED TRANSACTIONS IN RELATION TO SAP SYSTEM LICENSE AND IMPLEMENTATION IN THE PRC**

On 29 September 2017, CPF IT and SAP entered into a group license agreement, pursuant to which SAP granted CPF IT a non-exclusive license for CPF IT and its affiliates to implement and use the SAP system in accordance with a group licensing arrangement at a discounted group rate.

In order that the CP China Group can benefit from the group licensing arrangement, on 29 October 2018, CTI entered into the Software License Agreement with CPF IT, pursuant to which CPF IT has (i) granted a non-transferable license to the CP China Group for up to 2,800 users to use the SAP system, and (ii) agreed to provide maintenance services (including regular updates of the SAP system) to the CP China Group during the Agreed Period.

In order that the CP China Group can better utilise the SAP system for which it has obtained a license under the Software License Agreement, on 29 October 2018, CTI entered into the Implementation Service Agreement with Shanghai Zheng Yuan, pursuant to which Shanghai Zheng Yuan has agreed to assist the CP China Group to implement the SAP system and set up various SAP modules, and provide ongoing training and technical assistance services to employees of the CP China Group during the Agreed Period.

In addition, prior to entering into the Implementation Service Agreement and in anticipation of the CP China Group being granted a license by CPF IT to use the SAP system under the Software License Agreement, certain companies in the CP China Group had engaged Shanghai Zheng Yuan to perform the SAP System Pre-installation Trial Procedures for which the CP China Group had paid a total service fee of RMB6,278,000 (equivalent to approximately US\$909,855).

**ONGOING CONNECTED TRANSACTION IN RELATION TO SAP SYSTEM MAINTENANCE, IMPLEMENTATION AND TECHNICAL ASSISTANCE IN VIETNAM**

In Vietnam, CPVC had been receiving ongoing maintenance services, training and technical assistance services from CPF IT pursuant to the CPVC Software License Agreement entered into on 1 March 2010, under which CPVC was granted a non-transferable license to use the SAP system in Vietnam and would be provided with ongoing training and technical assistance services in return for an annual fee of US\$245,000 (or US\$735,000 in aggregate for the years 2018, 2019 and 2020) as further agreed by the parties in 2018.

The applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amounts paid by CPVC to CPF IT for the previous 12 months under the CPVC Software License Agreement, when aggregated with the total amount paid for the SAP System Pre-installation Trial Procedures, were less than 0.1% and accordingly, the transactions were exempted from reporting, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement:

- CPF is interested in approximately 47.8% of the Shares in issue and is the controlling shareholder of the Company. As a subsidiary of CPF, CPF IT is a connected person of the Company. The transactions contemplated under each of the Software License Agreement and the CPVC Software License Agreement constitute connected transactions of the Company under the Listing Rules; and
- CPG holds approximately 49.11% 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, and accordingly CPG, its subsidiaries and their respective associates are treated as connected persons of the Company. As Shanghai Zheng Yuan is a subsidiary of CPG, the transactions contemplated under the Implementation Service Agreement and the SAP System Pre-installation Trial Procedures are treated as connected transactions of the Company under the Listing Rules.

Since the Software License Agreement and the Implementation Service Agreement were related to the Group's license, implementation and use of the SAP system, the Company has aggregated the Transactions and treated them as if they were one transaction. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amounts to be paid to CPF IT and Shanghai Zheng Yuan in relation to the Transactions for the Agreed Period, when aggregated together with the amounts paid for the previous 12 months and payable for the Agreed Period under the CPVC Software License Agreement and the total amount paid in respect of the SAP System Pre-installation Trial Procedures, are more than 0.1% but less than 5%, the Transactions are subject to reporting and announcement requirements but are exempted from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **CONNECTED TRANSACTIONS IN RELATION TO SAP SYSTEM LICENSE AND IMPLEMENTATION IN THE PRC**

On 29 September 2017, CPF IT and SAP entered into a group license agreement, pursuant to which SAP granted CPF IT a non-exclusive license for CPF IT and its affiliates to implement and use the SAP system in accordance with a group licensing arrangement at a discounted group rate.

In order that the CP China Group can benefit from the group licensing arrangement, on 29 October 2018, CTI entered into the Software License Agreement with CPF IT, pursuant to which CPF IT has (i) granted a non-transferable license to the CP China Group for up to 2,800 users to use the SAP system, and (ii) agreed to provide maintenance services (including regular updates of the SAP system) to the CP China Group during the Agreed Period.

In order that the CP China Group can better utilise the SAP system for which it has obtained a license under the Software License Agreement, on 29 October 2018, CTI entered into the

Implementation Service Agreement with Shanghai Zheng Yuan, pursuant to which Shanghai Zheng Yuan has agreed to assist the CP China Group to implement the SAP system and set up various SAP modules, and provide ongoing training and technical assistance services to employees of the CP China Group during the Agreed Period.

The key terms of the Software License Agreement and the Implementation Service Agreement are summarised below:

## **1. Software License Agreement**

### **(a) Date**

29 October 2018

### **(b) Parties**

- (i) CPF IT (as licensor)
- (ii) CTI (as licensee)

### **(c) Subject Matter**

CPF IT has granted a non-transferable licence to the CP China Group for up to 2,800 users to use the SAP system and agreed to provide maintenance services (including regular updates of the SAP system) to the CP China Group for the Agreed Period

### **(d) License Fee and Maintenance Service Fee**

CTI will pay a one-off license fee of approximately US\$3,978,851 to CPF IT.

CTI will also pay maintenance service fee in the amount of approximately US\$218,183 in 2018 (for the three months between 1 October 2018 and 31 December 2018), US\$872,730 in each of 2019 and 2020 and US\$654,548 in 2021 (for the nine months between 1 January 2021 and 30 September 2021).

The license fee and the maintenance service fee were determined after arm's length negotiations between CTI and CPF IT with reference to (i) the fees being equal to the prevailing rate SAP charged CPF IT under the group licensing arrangement, with no mark up, (ii) the comparable rates per user CPF IT charged its other affiliates for the use of the SAP system and the maintenance services, and (iii) the fees being more favourable than the fees paid by the CP China Group historically to SAP for the use of the SAP system.

### **(e) Payment Terms**

The license fee will be paid in accordance with the invoice to be issued by CPF IT.

The maintenance service fee will be paid in accordance with the invoices to be issued by CPF IT at the beginning of each of 2019, 2020 and 2021.

## **2. Implementation Service Agreement**

### **(a) Date**

29 October 2018

**(b) Parties**

- (i) CTI
- (ii) Shanghai Zheng Yuan

**(c) Subject Matter**

Shanghai Zheng Yuan has agreed to assist the CP China Group to implement the SAP system and set up various SAP modules, and provide ongoing training and technical assistance services to employees of the CP China Group during the Agreed Period

**(d) Implementation Service Fee and Technical Service Fee**

CTI shall pay a one-off implementation service fee of RMB2,250,000 (equivalent to approximately US\$326,087) and an annual technical service fee of RMB7,822,800 (equivalent to approximately US\$1,133,739) (or RMB23,468,400 (equivalent to approximately US\$3,401,217) in aggregate for the years 2018, 2019 and 2020) under the Implementation Service Agreement.

In addition, Shanghai Zheng Yuan shall, at the request of CTI, provide development services to the CP China Group in connection with its technical services. Depending on the amount of work requested, CTI will pay a development fee to Shanghai Zheng Yuan at the rate of RMB1,500 per person per day, provided that the aggregate development fee shall not exceed 10% of the amount payable by CTI under the Implementation Service Agreement.

The implementation service fee, the technical service fee and the rate of development fee were determined after arm's length negotiation between CTI and Shanghai Zheng Yuan which is more favourable to the fee quotes from reputable independent third parties in the PRC specialised in the provision of similar services and based on the expected scale of implementation and the number of licensed users.

**(e) Payment Terms**

The implementation service fee will be paid in accordance with the invoice to be issued by Shanghai Zheng Yuan.

The technical service fee and the development fee (if applicable) will be paid in accordance with the invoices to be issued by Shanghai Zheng Yuan at the beginning of each of 2019, 2020 and 2021.

In addition, prior to entering into the Implementation Service Agreement and in anticipation of the CP China Group being granted a non-transferable license by CPF IT to use the SAP system under the Software License Agreement, certain companies in the CP China Group had engaged Shanghai Zheng Yuan to perform the SAP System Pre-installation Trial Procedures for which the CP China Group had paid a total service fee of RMB6,278,000 (equivalent to approximately US\$909,855).

**ONGOING CONNECTED TRANSACTION IN RELATION TO SAP SYSTEM MAINTENANCE, IMPLEMENTATION AND TECHNICAL ASSISTANCE IN VIETNAM**

In Vietnam, CPVC had been receiving ongoing maintenance services, training and technical assistance services from CPF IT pursuant to the CPVC Software License Agreement entered into on 1 March 2010, under which CPVC was granted a non-transferable license to use the SAP system in Vietnam and would be provided with ongoing maintenance services, training and

technical assistance services in return for an annual fee of US\$245,000 (or US\$735,000 in aggregate for the years 2018, 2019 and 2020) as further agreed by the parties in 2018.

The applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amounts paid by CPVC to CPF IT for the previous 12 months under the CPVC Software License Agreement, when aggregated together with the total amount paid for the SAP System Pre-installation Trial Procedures, were less than 0.1% and accordingly, the transactions were exempted from reporting, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **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 is an investment holding company owned by the Company. CP China and its subsidiaries are principally engaged in integrated agri-food business in China.

CTI is an investment holding company owned by CP China.

CPVC is a subsidiary of the Company and principally engaged in integrated agri-food business in Vietnam.

CPF IT is a subsidiary of CPF and principally engaged in provision of information and technology service.

Shanghai Zheng Yuan is an indirect subsidiary of CPG and principally engaged in provision of information and technology service.

## **REASONS FOR ENTERING INTO THE SOFTWARE LICENSE AGREEMENT AND THE IMPLEMENTATION SERVICE AGREEMENT**

By entering into the Software License Agreement and the Implementation Service Agreement, the Group will benefit from the group licensing arrangement for the implementation of the SAP system at a discounted group rate and receive a comprehensive package of implementation services, technical support, assistance and training from Shanghai Zheng Yuan with respect to the SAP system to ensure the Group is well prepared, and the employees of the Group are sufficiently trained, to use the SAP system going forward.

The Directors (including the independent non-executive Directors) are of the view that each of the Software License Agreement and the Implementation Service 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 each of the Software License Agreement and the Implementation Service Agreement are fair and reasonable and that the Transactions are in the interests of the Company and the Shareholders as a whole.

The Board considered that each of Mr. Dhanin Clearavanont (chairman and executive director of the Company), Mr. Adirek Sripratak (vice chairman and executive director of the Company), Mr. Sooksunt Jiumjaiswanglert and Mrs. Arunee Watcharananan (both executive directors of the Company) had a material interest in the transaction contemplated under the Software

License Agreement in view of their directorships in CPF, and accordingly all of them had abstained from voting on the resolutions relating to the Software License Agreement.

The Board also considered that each of Mr. Dhanin Clearavanont (chairman and executive director of the Company), Mr. Adirek Sripratak, Mr. Soopakij Clearavanont (both vice chairmen and executive directors of the Company), Mr. Suphachai Clearavanont and Mrs. Arunee Watcharananan (both executive directors of the Company) had a material interest in the transaction contemplated under the Implementation Service Agreement in view of their respective shareholdings in CPG, and accordingly all of them had abstained from voting on the resolutions relating to the Implementation Service Agreement.

Save as disclosed above, none of the other Directors had any material interest in the Transactions, and was required to abstain from voting on the board resolutions for approving the Software License Agreement or the Implementation Service Agreement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement:

- CPF is interested in approximately 47.8% of the Shares in issue and is the controlling shareholder of the Company. As a subsidiary of CPF, CPF IT is a connected person of the Company. The transactions contemplated under each of the Software License Agreement and the CPVC Software License Agreement constitute connected transactions of the Company under the Listing Rules; and
- CPG holds approximately 49.11% 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, and accordingly CPG, its subsidiaries and their respective associates are treated as connected persons of the Company. As Shanghai Zheng Yuan is a subsidiary of CPG, the transactions contemplated under the Implementation Service Agreement and the SAP System Pre-installation Trial Procedures are treated as connected transactions of the Company under the Listing Rules.

Since the Software License Agreement and the Implementation Service Agreement both relate to the Group's license, implementation and use of the SAP system, the Company has aggregated the Transactions and treated them as if they were one transaction. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amounts to be paid to CPF IT and Shanghai Zheng Yuan in relation to the Transactions for the Agreed Period, when aggregated with the amounts paid for the previous 12 months and payable for the Agreed Period under the CPVC Software License Agreement and the total amount paid in respect of the SAP System Pre-installation Trial Procedures, are more than 0.1% but less than 5%, the Transactions are subject to reporting and announcement requirements but are exempted from circular (including independent financial advice) and 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:

“Agreed Period”	the period between 1 October 2018 and 30 September 2021
“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
“CP China”	CP China Investment Limited, a limited company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company
“CP China Group”	CP China and its subsidiaries from time to time
“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
“CPF IT”	CPF IT Center Company Limited, a company organised and existing under the laws of the Kingdom of Thailand and a direct wholly-owned subsidiary of CPF
“CPG”	Charoen Pokphand Group Company Limited, a company organised and existing under the laws of the Kingdom of Thailand
“CPVC”	C.P. Vietnam Corporation, a joint stock company incorporated in Vietnam and held as to 70.82% by Modern State Investments Limited (which is a wholly-owned subsidiary of the Company)
“CPVC Software License Agreement”	the agreement dated 1 March 2010 made between CPF IT as licensor and CPVC as licensee (as amended and supplemented from time to time), pursuant to which CPF IT granted a non-transferable perpetual licence to CPVC to use the SAP system and has provided ongoing maintenance services, training and technical assistance services to CPVC

“CTI”	Chia Tai (China) Investment Co., Ltd., a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of CP China
“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
“Implementation Service Agreement”	the implementation service agreement dated 29 October 2018 made by CTI with Shanghai Zheng Yuan for the implementation of the SAP system and set up the SAP system and provide ongoing training and technical assistance services to employees of the CP China Group for the Agreed Period
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SAP System Pre-installation Trial Procedures”	Certain trial procedures designed to ensure that the SAP system can be installed and implemented and efficiently utilised by the CP China Group
“Shanghai Zheng Yuan”	Shanghai Zheng Yuan Computer Technology Co., Ltd., a limited liability company incorporated in the PRC and an indirect subsidiary of CPG
“Shareholders”	holders of Shares from time to time
“Shares”	ordinary shares of US\$0.01 each in the capital of the Company
“Software License Agreement”	the agreement dated 29 October 2018 made between CPF IT as licensor and CTI as licensee, to grant a non-exclusive, non-transferable perpetual license to the CP China Group for up to 2,800 users to use the SAP system and provide maintenance services to the CP China Group for the Agreed Period
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Software License Agreement and the Implementation Service Agreement
“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 RMB is US\$1 = RMB6.90 for indication only.*

Hong Kong, 29 October 2018

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