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

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE NEW LOAN AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



KingswayGroup

Kingsway Capital Limited

A letter from the Board is set out on pages 4 to 8 of this circular. A letter from the Independent Board Committee and a letter from the independent financial adviser, Kingsway Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 9 and pages 10 to 16 of this circular respectively.

31 May 2010

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
A. INTRODUCTION	4
B. THE NEW LOAN AGREEMENT	5
C. INFORMATION ON THE PARTIES	6
D. REASONS FOR THE NEW LOAN	6
E. FINANCIAL IMPACT OF THE NEW LOAN	6
F. LISTING RULES IMPLICATIONS	7
G. RECOMMENDATION	7
H. ADDITIONAL INFORMATION	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	9
LETTER FROM KINGSWAY	10
APPENDIX I : FINANCIAL INFORMATION	17
APPENDIX II : GENERAL INFORMATION	19

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Amendment Agreement”	the amendment agreement to the Guaranty entered into on 30 October 2008 between EKCM and CCFL
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCFL”	卡特彼勒（中國）融資租賃有限公司（Caterpillar (China) Financial Leasing Co., Ltd.*), a company incorporated in the PRC and a party independent of the Company and its connected persons and which is not a connected person 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 75% of the issued share capital of the Company
“Company”	C.P. Pokphand Co. Ltd., a company incorporated in Bermuda whose shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
“CPG”	Charoen Pokphand Group Company Limited, a company organized and existing under the laws of the Kingdom of Thailand and owned as to 51.31% by the Chearavanont Shareholders
“CPI Holding”	CPI Holding Co., Ltd., a company incorporated in the British Virgin Islands and wholly-owned by a company which is held as to 51.31% of its issued share capital by the Chearavanont Shareholders
“Directors”	the directors of the Company
“ECI Metro”	ECI Metro Investment Co. Ltd., a company incorporated in the British Virgin Islands, in which the Company holds a 50% indirect equity interest through its wholly-owned subsidiary
“ECI Metro Group”	ECI Metro and its wholly-owned subsidiaries
“EKCM”	Ek Chor China Motorcycle Co. Ltd., a company incorporated in Bermuda and a wholly-owned subsidiary of the Company

DEFINITIONS

“Existing Loan”	the existing loan in the principal amount of up to US\$29,000,000 (or its equivalent in RMB) lent or procured by EKCM to ECI Metro under the Existing Loan Agreement which expired on 20 April 2010
“Existing Loan Agreement”	the existing loan agreement dated 21 April 2009 entered into between EKCM and ECI Metro in respect of the provision of the Existing Loan
“Group”	the Company and its subsidiaries
“Guaranty”	the guarantee (as amended by the Amendment Agreement) entered into by EKCM in favour of CCFL, guaranteeing certain indebtedness of the ECI Metro Group up to the maximum amount of US\$30.55 million
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the board committee appointed by the Board, comprising the independent non-executive Directors, to advise the Independent Shareholders in relation to the New Loan
“Independent Shareholder(s)”	Shareholders who would not be required to abstain from voting at a general meeting of the Company to approve the New Loan Agreement
“Kingsway”	Kingsway Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 of the SFO, appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of the New Loan under the New Loan Agreement
“Latest Practicable Date”	26 May 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Metro Tractor”	Metro Tractor Co., Ltd., a company incorporated in Thailand which holds a 50% equity interest in ECI Metro

DEFINITIONS

“New Loan”	the new loan in the principal amount of up to US\$29,000,000 (or its equivalent in RMB) to be lent or procured by EKCM to ECI Metro under the New Loan Agreement
“New Loan Agreement”	the new loan agreement date 19 April 2010 entered into between EKCM and ECI Metro in respect of the provision of the New Loan
“OSIL”	Orient Success International Limited, a company incorporated in the British Virgin Islands and wholly-owned by a company which is indirectly held as to 51.31% of its issued share capital by the Chearavanont Shareholders
“OSIL Group”	OSIL and its subsidiaries, jointly-controlled entities and associated companies
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States
“Worth Access”	Worth Access Trading Limited, a company incorporated in the British Virgin Islands and wholly-owned by a company which is indirectly held as to 51.31% of the issued share capital by the Chearavanont Shareholders

* For identification purpose

LETTER FROM THE BOARD



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

Directors:

Mr. Sumet Jiaravanon
Mr. Dhanin Chearavanont
Mr. Thanakorn Seriburi
Mr. Meth Jiaravanont
Mr. Soopakij Chearavanont
Mr. Anan Athigapanich
Mr. Damrongdej Chalongphuntarat
Mr. Bai Shanlin
Mr. Nopadol Chiaravanont
Mr. Chatchaval Jiaravanon
Mr. Narong Chearavanont
Mr. Suphachai Chearavanont
Mr. Robert Ping-Hsien Ho
Mr. Pang Siu Chik
Mr. Ma Chiu Cheung, Andrew*
Mr. Sombat Deo-isres*
Mr. Sakda Thanitcul*

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal office in Hong Kong:

21st Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

* *Independent non-executive Directors*

31 May 2010

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE NEW LOAN AGREEMENT

A. INTRODUCTION

Reference is made to the announcement of the Company dated 19 April 2010 in relation to the provision of the New Loan by EKCM, a wholly-owned subsidiary of the Company, to ECI Metro under the New Loan Agreement.

The purpose of this circular is to give Shareholders further information on the terms of the New Loan Agreement and to provide Shareholders with such information concerning the Company as is required by the Listing Rules.

LETTER FROM THE BOARD

B. THE NEW LOAN AGREEMENT

(a) Date

19 April 2010

(b) Parties

Lender: EKCM, a wholly-owned subsidiary of the Company; and

Borrower: ECI Metro, a jointly-controlled entity of the Group, in which EKCM holds an indirect 50% equity interest.

(c) Details of The New Loan

Under the New Loan Agreement, EKCM has agreed to lend, or procure its direct or indirect subsidiaries or a third party to lend, to ECI Metro the principal amount of up to US\$29,000,000 (or its equivalent in RMB) in cash, at a rate per annum equal to the prime rate of interest published by the People's Bank of China on the draw down date for RMB borrowings of one-year multiplied by 1.15 (subject to any adjustment to be mutually agreed). The interest rate for the New Loan was determined after arm's length negotiation between EKCM and ECI Metro with reference to the prevailing interest rates quoted by the commercial bank in the PRC. The term of the New Loan Agreement is one year commencing from the date of the New Loan Agreement, subject to extension by mutual agreement. ECI Metro shall pay interest and repay the principal amount drawn upon maturity.

(d) Conditions Precedent

Completion of the New Loan Agreement is conditional upon, among other things, full compliance with the applicable requirements of the Listing Rules, including obtaining (where applicable) a waiver from the Stock Exchange to accept a written independent shareholders' approval of the Company in lieu of holding a general meeting to approve the New Loan Agreement and the transactions contemplated hereunder.

The condition precedent set out above has already been fulfilled.

(e) Drawdown

The New Loan can be drawn down upon receipt of prior written drawn down notice of at least five business days immediately following the day upon which all of the conditions for the New Loan Agreement shall have been fulfilled, or such other date as the relevant parties may agree in writing, provided that the first drawdown of the New Loan shall occur on the business day immediately following the fulfilment of all the conditions for the New Loan Agreement and shall be applied to repay the full amount of the Existing Loan (including accrued interest).

LETTER FROM THE BOARD

C. INFORMATION ON THE PARTIES

The Group is principally engaged in the operation of feedmills for the production and sale of feed products. Additionally, the Group is involved in various other relatively smaller businesses, including the production and sale of chlortetracycline products, and through its jointly-controlled entities, in the manufacture and sale of motorcycles, the sale of Caterpillar machinery, and the manufacture and sale of carburetors and automobile accessories.

ECI Metro is a jointly-controlled entity of the Group in which EKCM, a wholly-owned subsidiary of the Company, has a 50% indirect equity interest. ECI Metro is the sole agent of the Caterpillar brand of construction machinery and tools in the western region of the PRC and is principally engaging in the sales, leasing and repair services of Caterpillar construction machinery in the PRC.

D. REASONS FOR THE NEW LOAN

As the Existing Loan fell due to expire on 20 April 2010, the New Loan Agreement was entered into so that ECI Metro could repay the amount outstanding under the Existing Loan. The New Loan has allowed ECI Metro to continue to finance its purchase of Caterpillar machinery and spare parts and provide working capital for the ECI Metro Group. The other shareholder of ECI Metro, Metro Tractor, has also agreed to continue to procure a loan of up to US\$29,000,000 (or its equivalent in RMB) to ECI Metro for the same purpose.

Given that (i) the New Loan would continue to provide support to ECI Metro for its increasing scale of operation and therefore strengthen its revenue stream and profitability and will in turn benefit the Group; and (ii) the other shareholder of ECI Metro has also agreed to continue to procure a similar loan to ECI Metro for the same purpose, the Directors (including the independent non-executive Directors who have taken into account the advice from Kingsway) consider that the provision of the New Loan is on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

E. FINANCIAL IMPACT OF THE NEW LOAN

The Directors consider that the New Loan will not have any immediate effect on the earnings, assets and liabilities of the Group, except that the Company expects the Group to continue to earn regular interest income from the provision of the New Loan.

LETTER FROM THE BOARD

F. LISTING RULES IMPLICATIONS

ECI Metro is a jointly-controlled entity of the Group in which EKCM has an indirect 50% equity interest. Since Mr. Chatchaval Jiaravanon, an executive director of the Company, is the son-in-law of Mr. Thongsai Burapachaisri, who holds an approximately 92.4% equity interest in Metro Tractor, which in turn holds the other 50% equity interest in ECI Metro, Mr. Thongsai Burapachaisri and ECI Metro are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. As the ECI Metro Group has borrowed and will continue to borrow from CCFL to fund its purchase of Caterpillar brand construction machinery and tools, and CCFL has agreed to provide such financing against, among other things, the Guaranty as disclosed in the announcements of the Company dated 4 July 2007 and 30 October 2008, respectively, the transactions under the New Loan Agreement and the Guaranty are required to be aggregated pursuant to Rules 14.22 and 14A.25 of the Listing Rules. As one of the applicable aggregate percentage ratios is more than 25% but less than 100%, the New Loan, when aggregated with the Guaranty, constitutes a major and connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best knowledge of the Directors, as no Shareholder had any material interest in the New Loan Agreement, none of the Shareholders would have been required to abstain from voting if the Company had convened a general meeting for approving the transactions contemplated under the New Loan Agreement. CPI Holding, Worth Access and OSIL, each of which was wholly-owned by companies which were held as to 51.31% of their issued share capital by the Chearavanont Shareholders, and which held on an aggregate basis approximately 74.98% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approval of the New Loan. CPI Holding, Worth Access and OSIL each held 1,004,014,695 Shares, 481,250,000 Shares and 2,724,758,578 Shares, respectively, as at the Latest Practicable Date. In accordance with Rule 14A.43 of the Listing Rules, a waiver has been granted with respect to holding a general meeting to approve the New Loan Agreement and the written independent shareholders' approval was accepted by the Stock Exchange.

G. RECOMMENDATION

The Independent Board Committee has been established to consider whether the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and Kingsway has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter of Kingsway containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 16 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 9 of this circular.

The Independent Board Committee, having taken into account the opinion of Kingsway, considers the terms of the New Loan Agreement to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

H. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Pang Siu Chik
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

31 May 2010

To the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE NEW LOAN AGREEMENT**

We refer to the circular dated 31 May 2010 issued to the Shareholders (the "Circular") of which this letter forms part. Capitalized terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the New Loan Agreement and not having any interest in the transactions contemplated under the New Loan Agreement, we have been appointed by the Board to advise you as to whether, in our opinion, the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

Kingsway has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the terms of the New Loan Agreement. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 10 to 16 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 8 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Kingsway as stated in its letter of advice, we consider that the terms of the New Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its Shareholders. Had there been a general meeting convened for this purpose, we would therefore have recommended the Independent Shareholders to vote in favour of the New Loan Agreement. As disclosed in the letter from the Board, CPI Holding, Worth Access and OSIL have provided to the Company their written approval to the New Loan and accordingly, no general meeting will be convened for this purpose.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Ma Chiu Cheung, Andrew
*Independent Non-executive
Director*

Sombat Deo-isres
*Independent Non-executive
Director*

Sakda Thanitcul
*Independent Non-executive
Director*

LETTER FROM KINGSWAY

The following is the full text of a letter received from Kingsway setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Loan Agreement for inclusion in the Circular.



5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Tel. No.: (852) 2877-1830
Fax. No.: (852) 2283-7722

31 May 2010

*To the Independent Board Committee and
the Independent Shareholders of C.P. Pokphand Co. Ltd.*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE NEW LOAN AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the terms of the New Loan Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 31 May 2010 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 19 April 2010. EKCM, a wholly-owned subsidiary of the Company, entered into the New Loan Agreement with ECI Metro on 19 April 2010 in relation to the provision of the New Loan.

ECI Metro is a jointly-controlled entity of the Group in which EKCM has an indirect 50% equity interest. Since Mr. Chatchaval Jiaravanon, an executive Director, is the son-in-law of Mr. Thongsai Burapachaisri, who holds an approximately 92.4% equity interest in Metro Tractor, which in turn holds the other 50% equity interest in ECI Metro, Mr. Thongsai Burapachaisri and ECI Metro are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. As the ECI Metro Group has borrowed and will continue to borrow from CCFL to fund its purchase of Caterpillar brand construction machinery and tools, and CCFL has agreed to provide such financing against, among other things, the Guaranty as disclosed in the announcements of the Company dated 4 July 2007 and 30 October 2008, respectively, the transactions under the New Loan Agreement and the Guaranty are required to be aggregated pursuant to

LETTER FROM KINGSWAY

Rules 14.22 and 14A.25 of the Listing Rules. As one of the applicable aggregate percentage ratios is more than 25% but less than 100%, the New Loan, when aggregated with the Guaranty, constitutes a major and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. To the best knowledge of the Directors, as no Shareholder had any material interest in the New Loan Agreement, none of the Shareholders would have been required to abstain from voting if the Company had convened a general meeting for approving the transactions contemplated under the New Loan Agreement.

CPI Holding, Worth Access and OSIL, each of which was wholly-owned by companies which were held as to 51.31% of their issued share capital by the Chearavanont Shareholders, and which held on an aggregate basis approximately 74.98% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approval of the New Loan Agreement. CPI Holding, Worth Access and OSIL each held 1,004,014,695 Shares, 481,250,000 Shares and 2,724,758,578 Shares, respectively, as at the Latest Practicable Date. As stated in the Letter from the Board, in accordance with Rule 14A.43 of the Listing Rules, a waiver has been granted with respect to holding a general meeting to approve the New Loan Agreement and the written independent shareholders' approval has been accepted by the Stock Exchange.

The Independent Board Committee, comprising Messrs. Ma Chiu Cheung, Andrew, Sombat Deoisres and Sakda Thanitcul, all being independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the New Loan Agreement. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company, which the Directors consider to be complete, accurate and relevant. We have assumed that all the information, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate as at the date of the Circular. We have also assumed that all the statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided and representations and opinions made to us by the Company, the Directors and the management of the Company untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view. The Directors have confirmed that no material facts or representations have been withheld or omitted from the information provided and referred to in the Circular. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group, the ECI Metro Group, Metro Tractor or any of their associates.

LETTER FROM KINGSWAY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the New Loan Agreement, we have considered the following principal factors and reasons:

1. Background and reasons

Business of the Group

The Group is principally engaged in the operation of feedmills for the production and sale of feed products. Additionally, the Group is involved in various other relatively smaller businesses, including the production and sale of chlortetracycline products, and through its jointly-controlled entities, in the manufacture and sale of motorcycles, the sale of Caterpillar machinery, and the manufacture and sale of carburetors and automobile accessories. The entering into of the New Loan Agreement is not in the ordinary and usual course of business of the Company.

Operating performance of ECI Metro

As stated in the Letter from the Board, the annual report of the Company for the year ended 31 December 2009 (the “**2009 Annual Report**”) and further advised by the Company, ECI Metro, a jointly-controlled entity of the Group, is the sole agent of the Caterpillar brand of construction machinery and tools in western region of the PRC and is principally engaged in the sales, leasing and repair services of Caterpillar construction machinery in the PRC. ECI Metro currently has 33 rental shops in total in China, of which 5 of them were newly opened in 2009, which provide sales services for Caterpillar machinery products, complementing its dealership network. In addition, ECI Metro successfully extended its dealership services for SEM wheel loaders to include provinces of Guizhou, Sichuan, Yunnan and Chongqing.

Based on the audited financial statement of the ECI Metro Group for the year 2008 and its management accounts for the year 2009, it recorded an increase in revenue and net profit after tax by approximately 27.1% and 30.9% respectively for the year ended 31 December 2009 from that in 2008. The ECI Metro Group recorded an annual growth of 18.8% in the unit sale of machinery to 1,603 units in 2009, among which the unit sale of excavator products, its major product, grew by approximately 35.7% to 1,342 units as compared to that in 2008. As stated in the 2009 Annual Report, as reconstruction works unfolded in the Sichuan areas, demand for construction machinery became more robust. Sales revenue derived in Sichuan and Yunnan recorded an annual growth of 41.2% and 18.5% in 2009 from that in 2008 respectively, accounting for approximately 26.9% and 23.0% of the total revenue of the ECI Metro Group in 2009, and thus became ECI Metro’s major sales contributors. Chongqing also posted strong sales growth, with revenue soaring nearly 80% year-on-year in 2009 from that in 2008.

LETTER FROM KINGSWAY

Financial resources of ECI Metro

The ECI Metro Group purchases Caterpillar machinery and spare parts for sale and leasing. The Directors advised that such purchase has been financed by internal resources of the ECI Metro Group and loans. As stated in the circular of the Company dated 12 May 2009, the ECI Metro Group previously drawn loans from banks and/or CCFL, a company which is principally engaged in the provision of financing in the PRC in relation to the purchase and/or rental of Caterpillar machinery and tools. In view of the upward adjustment of interest rate charged by CCFL and the tightening credit policy of CCFL, ECI Metro entered into the Existing Loan Agreement on 21 April 2009 in order to obtain additional resources to finance its daily operation. The entering into of the Existing Loan Agreement constituted a major and connected transaction of the Company and was approved by the then Independent Shareholders in writing pursuant to Rule 14A.43 of the Listing Rules.

The Existing Loan Agreement expired on 20 April 2010. The Existing Loan was fully drawn and was due for repayment on 20 April 2010. Hence, ECI Metro intends to apply the New Loan to replace the full amount of the Existing Loan such that the New Loan will allow ECI Metro to continue to finance its purchase of Caterpillar machinery and spare parts and provide working capital for the ECI Metro Group.

As advised by the Directors, the actual purchase amount of Caterpillar machinery and tools of the ECI Metro Group in 2009 was approximately RMB1,808 million and growth is expected in 2010 taken into account the historical high sales in 2009 and the expected demand in western region of China, while the cash balance of the ECI Metro Group was approximately RMB282 million as at 31 March 2010 based on its management account. Hence, the Directors consider that the entering into of the New Loan Agreement is essential for the ECI Metro Group to finance its working capital requirement.

Prospects of the construction machinery industry in China

According to the National Bureau of Statistics of China, the total fixed asset investment rose 30.1% year on year in 2009 to approximately RMB22.5 trillion, in which the fixed asset investment in urban areas rose 30.5% to approximately RMB19.4 trillion while that in rural areas rose 27.5% to approximately RMB3.1 trillion respectively from that in 2008. For the first quarter in 2010, the total fixed asset investment rose 26.4% as compared to that in the first quarter in 2009.

China unveiled a 4-trillion-yuan stimulus package in November 2008 to accelerate the economic growth, including 1.8 trillion yuan which was scheduled to be used to build more railroads, highways, airports and other infrastructure. According to the National Bureau of Statistics of China, the fixed assets investment in western region of China grew by 35% in 2009 to approximately RMB4.4 trillion as compared to that in 2008, and grew by 30% for the first quarter in 2010 as compared to that for the same period in 2009. The Directors believe that the 4-trillion-yuan stimulus package and the vigorous infrastructure reconstruction work in western China mentioned above would boost the demand of the construction machinery and spare parts in China and thus plan to set up additional stores in western China in the foreseeable future, resulting in an increase in working capital requirement.

LETTER FROM KINGSWAY

Taking into account (i) the operating performance of the ECI Metro Group; (ii) the increase in working capital requirement of the ECI Metro Group in light of the expected increase in the demand of Caterpillar machinery in China; (iii) that the Existing Loan Agreement expired on 20 April 2010 and thus the New Loan is required to continue to finance the daily operation of the ECI Metro Group, we concur with the Directors' view that the entering into of the New Loan Agreement is in line with the business of and beneficial to the Group.

2. Loan amount

As stated in the New Loan Agreement, given the expiration of the Existing Loan Agreement on 20 April 2010, EKCM has agreed to lend, or procure its direct or indirect subsidiaries or a third party to lend the principal amount of up to US\$29 million (or its equivalent in RMB) in cash to ECI Metro so as to continue to finance the purchase of Caterpillar machinery and spare parts and to provide working capital for the ECI Metro Group. The other shareholder of ECI Metro also agreed to continue to procure a loan of up to US\$29 million (or its equivalent in RMB) to ECI Metro for the same purpose and, as advised by the Directors, on the similar terms as that under the New Loan Agreement.

Based on the information provided by the Company, the total purchase amount of machinery and spare parts for sale and leasing of the ECI Metro Group in 2009 dropped by approximately 24.1% from that in 2008, amounting to approximately RMB1,808 million. The Directors advise that orders for construction products received by the ECI Metro Group in 2008 was lower than expected due to the global financial crisis during the second half of 2008. A higher level of inventory, as compared to that in the previous year, was kept by the ECI Metro Group by the end of 2008 for sale in 2009, resulting in its lower purchase amount of machinery in 2009. Despite that, the purchase amount of machinery of the ECI Metro Group for the first quarter in 2010 increased by approximately 96.5% to approximately RMB733 million from that in the first quarter last year. For the same period, the unit of machinery sold by the ECI Metro Group also increased by approximately 63.2% to approximately 630 units from that last year. In light of the prospects of the industry as mentioned above, the Directors expect a growth in the purchase amount and purchase unit of Caterpillar machinery in 2010 from that in 2009.

Given (i) the historical purchases of the ECI Metro Group; and (ii) the expected increase in demand of the construction machinery and spare parts abovementioned, the Directors consider that the New Loan is essential to ECI Metro Group for financing the purchase of machineries and spare parts for sale and leasing. Taking into account of the factors above, we concur with the Directors' view and consider that the amount of the New Loan is reasonable.

3. Principal terms

Pursuant to the New Loan Agreement, the New Loan would be lent at an interest rate per annum ("**Interest Rate**") equal to the prime rate of interest published by the People's Bank of China for RMB borrowings of one-year on the date on which the Loan is drawn down multiplied by 1.15 (subject to any adjustment to be mutually agreed). As stated in the Letter from the Board, the Interest Rate was determined after arm's length negotiation between EKCM and ECI Metro with reference to the prevailing interest rates quoted by a commercial bank in the PRC.

LETTER FROM KINGSWAY

Interest under the New Loan Agreement shall be computed on the basis of 360-day year. Save for the interest payables with the principal amount of the New Loan upon maturity of the New Loan, interest on the amount of the New Loan drawn during the first nine months from the date of the New Loan Agreement shall be payable on a three months basis, while that on the amount of the New Loan drawn after such nine-month period shall be monthly payable. The term of the New Loan Agreement is one year commencing from the date of the New Loan Agreement or such shorter period which terminates on the date on which the New Loan and any accrued interest thereon are fully paid.

According to the website of the People's Bank of China, the prevailing interest rate for one-year RMB borrowings is 5.31% per annum. As advised by the Company, same as the arrangement under the Existing Loan Agreement, the Group has procured one of its jointly controlled entities to provide a loan of up to approximately US\$22.7 million to the ECI Metro Group, which is secured by a guarantee provided by the Group, at an interest rate per annum equal to the prime rate of interest published by a commercial bank in the PRC for RMB borrowings of one-year minus 10% ("**Rate**"). Difference between the amount of interest payables under the New Loan Agreement, which is computed based on the Interest Rate, and that payables to the aforesaid jointly controlled entity, which is computed based on the Rate, will be paid to EKCM.

Balance of the New Loan of up to approximately US\$6.3 million is expected to be financed by internal resources of the Group. The Directors advise that the prevailing interest rate per annum on US\$ fixed deposit offered by the principal bankers of the Group is lower than the Interest Rate. Hence, the Directors consider it more favourable to the Group to lend the aforesaid amount of cash to ECI Metro by comparing between the interest income receivable from ECI Metro and that from US\$ fixed deposit at banks.

The Directors advise that though ECI Metro has not yet finalised the terms of the agreement in respect of the loan of the equivalent amount agreed to be procured by the other shareholder of ECI Metro, the directors of ECI Metro would procure such loan on terms similar with that under the New Loan Agreement.

Taking into account of the above, we consider that the terms of the New Loan Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. Financial effects of the New Loan Agreement

Set out below are the possible financial effects on the Group resulting from the entering into of the New Loan Agreement as expected by the Directors:

(a) Gearing

Same as the arrangement of the Existing Loan, EKCM has procured a jointly-controlled entity of the Group to lend up to approximately US\$22.7 million to ECI Metro while the balance of the New Loan amounting to approximately US\$6.3 will be financed by internal resources of the Group. As the New Loan will be used by ECI Metro to replace the Existing Loan as confirmed by the Directors, the Directors do not expect any immediate material effect on the amount of total borrowings and the gearing ratio (being total borrowings to total equity) of the Group as a result of the New Loan.

LETTER FROM KINGSWAY

(b) *Working capital*

As the New Loan will be used to replace the Existing Loan, the Directors do not expect any cash outflow from the Group resulting from the entering into of the New Loan Agreement, while interest on the New Loan will be received from ECI Metro.

(c) *Net asset value*

As the New Loan will be used to replace the Existing Loan, the Directors do not expect any immediate material effect on the net asset value of the Group as a result of entering into of the New Loan Agreement.

(d) *Earnings*

The Directors expect that the earnings of the Group will be increased by the amount of interest receivable from ECI Metro pursuant to the New Loan Agreement.

Taking into account (i) that no immediate material effect on the gearing ratio and net asset value is expected while the earnings and cash position of the Group will be increased by the amount of interest receivable from ECI Metro under the New Loan Agreement; (ii) the working capital requirement of the ECI Metro Group; and (iii) the prospects of the construction machinery business in China, the Directors consider that the entering into of the New Loan Agreement is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the entering into of the New Loan Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited
Chu Tat Hoi
Executive Director

1. INDEBTEDNESS

As at 30 April 2010 being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding secured and unsecured borrowings of approximately US\$148,000,000 and US\$253,000,000, respectively.

As at 30 April 2010, the Group issued guarantees of approximately US\$91,000,000 for credit line granted to jointly-controlled entities and related companies.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance of acceptance credits or any guarantees of other material contingent liabilities as at the close of business on 30 April 2010.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internal generated funds, the Group has sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

To keep China's economy growing in 2010, the Group believes the Chinese government will continue its efforts in developing and implementing stimulus policies for the agriculture industry, raising the living standard of the rural population, as well as further strengthening the development of the agriculture industry. The Group also anticipates the Chinese government will continue to employ stimulus measures to shore up domestic consumption, including infrastructure investments and promotion of rural consumption.

In 2010, the Group will steer itself toward developing the newly acquired feed business, in support of China's agriculture reform and development. As domestic production volume in feed products has been rising steadily and consistently over the years to meet increasing demand and rural living standards continue to improve, demand for feed products is expected to continue to grow reliably. Catering to the growing needs of the feed industry, the Group is planning to increase its feed production capacity by 720,000 tonnes in 2010. Moreover, since products from aqua cultivators and swine breeders are generally more value-added and are able to demand better pricing, growers/breeders are more willing to invest in feed products. In light of this, the Group will adjust its feed product mix to better serve these growers, producing more value-added aqua and swine feed products.

Additionally, the Group will continue to develop and grow its chlortetracycline and industrial businesses, producing more innovative products, expanding the existing sales network and enhancing quality services.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Directors' interests in shares of associated corporation

Name of Directors	Name of associated corporation	Number of Shares held	Approximate percentage of shareholding
Mr. Sumet Jiaravanon	CPG	228,277,810	12.96%
Mr. Dhanin Chearavanont	CPG	228,277,810	12.96%
Mr. Thanakorn Seriburi	CPG	11,322,605	0.64%
Mr. Damrongdej Chalongphuntarat	CPG	160,150	0.01%

(ii) Directors' interests in share options granted by the Company

Pursuant to a share option scheme adopted by the Company on 26 November 2002 (the "Scheme"), certain Directors were granted share options. As at the Latest Practicable Date, the interests of the Directors in options to subscribe for Shares under the Scheme were as follows:

Name of Directors	Date of grant	Number of Shares issuable upon exercise of options held as at Latest Practicable Date	Price per Share to be paid on exercise of options <i>HK\$</i>	Approximate percentage of shareholding
Mr. Sumet Jiaravanon	26 February 2003	12,800,000	0.3900	0.23%
	3 May 2004	12,800,000	0.3900	0.23%
	19 May 2005	12,000,000	0.3540	0.21%
Mr. Dhanin Chearavanont	26 February 2003	12,800,000	0.3900	0.23%
	3 May 2004	12,800,000	0.3900	0.23%
	19 May 2005	12,000,000	0.3540	0.21%
Mr. Thanakorn Seriburi	26 February 2003	21,584,807	0.3900	0.38%
	3 May 2004	20,000,000	0.3900	0.36%
	19 May 2005	21,000,000	0.3540	0.37%
Mr. Meth Jiaravanont	19 May 2005	21,000,000	0.3540	0.37%
Mr. Robert Ping-Hsien Ho	26 February 2003	21,584,807	0.3900	0.38%
	3 May 2004	20,000,000	0.3900	0.36%
	19 May 2005	21,000,000	0.3540	0.37%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SFO

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had the following interests or short positions in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long position in Shares and underlying Shares of the Company:

Name of Shareholder	Capacity/Nature of interest	Notes	Number of Shares	Approximate percentage of issued share capital of the Company <i>Note 1</i>
CPI Holding	Beneficial owner	2	1,004,014,695	17.88%
C.P. Intertrade Co., Ltd.	Interest of controlled corporation	2	1,004,014,695	17.88%
Worth Access	Beneficial owner	3	481,250,000	8.57%
OSIL	Beneficial owner	4	15,773,586,612	280.94%
Charoen Pokphand Holding Company Limited	Interest of controlled corporation	3 & 4	16,254,836,612	289.52%
CPG	Interest of controlled corporation	3 & 4	16,254,836,612	289.52%
D.E. Shaw Composite Portfolios, L.L.C.	Beneficial owner	5	760,975,600	13.55%
D.E. Shaw & Co., L.L.C.	Interest of controlled corporation	5	760,975,600	13.55%
D.E. Shaw & Co., II, Inc.	Interest of controlled corporation	5	760,975,600	13.55%
D.E. Shaw & Co. (Asia Pacific) Limited	Investment Manager	5	760,975,600	13.55%
D.E. Shaw & Co. L.P.	Investment Manager	5	760,975,600	13.55%
D.E. Shaw & Co., Inc.	Interest of controlled corporation	5	760,975,600	13.55%
David Elliot Shaw	Interest of controlled corporation	5	760,975,600	13.55%

Notes:

1. The percentage shown below are based on the total number of Shares in issue as at the Latest Practicable Date.
2. CPI Holding beneficially owned 1,004,014,695 Shares. C.P. Intertrade Co., Ltd. has declared an interest in these Shares by virtue of its shareholding in CPI Holding.
3. Worth Access beneficially owned 481,250,000 Shares. Charoen Pokphand Holding Company Limited (“CPH”) has declared an interest in these Shares by virtue of its shareholding in Worth Access whilst CPG has also declared an interest in such number of Shares by virtue of its shareholding in CPH.
4. The interests in these Shares represent 2,724,758,578 Shares and 13,048,828,034 Shares upon full conversion of 13,048,828,034 Convertible Preference Shares of the Company (assuming the full repayment of the outstanding advances from the Group to the OSIL Group) held by OSIL. OSIL is wholly-owned by CPH, which in turn a wholly-owned subsidiary of CPG. As such, CPH and CPG are deemed to be interested in the said Shares held by OSIL for the purpose of the SFO.
5. The interests in these Shares represent the issue of 760,975,600 Shares upon full conversion of the convertible preference shares of the Company held by D.E. Shaw Composite Portfolios, L.L.C., which was wholly-owned by D.E. Shaw & Co., L.L.C., which was wholly-owned by D.E. Shaw & Co. II, Inc., which in turn was wholly-owned by Mr. David Elliot Shaw, who also owns the entire interest in D.E. Shaw & Co., Inc., which in turn holds the entire interest in D.E. Shaw & Co. L.P., which in turn holds the entire interest in D.E. Shaw & Co. (Asia Pacific) Limited. All of these companies and Mr. David Elliot Shaw are deemed under SFO to be interested in the same 760,975,600 underlying Shares.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. INTERESTS IN ASSETS

On 11 December 2009, the Company as the purchaser and OSIL as the vendor, entered into an agreement relating to the acquisition of 100% interest in CP China Investment Limited at the consideration of HK\$5,382,000,000. The acquisition, being a connected and very substantial acquisition under the Listing Rules, was approved by the independent shareholders of the Company on 25 January 2010 and completed on 28 February 2010. Messrs. Sumet Jiaravanon and Dhanin Chearavanont, the Honorary Chairman and Chairman of the Company respectively, being members of the Chearavanont Shareholders, are regarded as having controlling interest in CP China Investment Limited.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors or the expert referred to in paragraph 9 “Qualification and Consent of Expert” below has any direct or indirect interest in any assets of material importance to the Company which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, the date of which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries in the two years immediately preceding the date of this circular and which are or may be material:

- (a) the Amendment Agreement;
- (b) the Existing Loan Agreement;
- (c) the agreement dated 11 December 2009 entered into between the Company and OSIL in connection with the acquisition of 100% interest in CP China Investment Limited at the consideration of HK\$5,382,000,000, which would be satisfied by the allotment and issue of a total of 16,534,562,212 new Shares and/or convertible preference shares of the Company (subject to possible deduction pursuant to the terms and conditions of the agreement);
- (d) the agreement dated 8 March 2010 entered into between CP China Investment Limited, a wholly-owned subsidiary of the Company, and two banks in Thailand to amend certain terms under a term loan facility agreement dated 21 August 2008 relating to the facility amount of US\$102,800,000; and
- (e) the New Loan Agreement.

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its letter for the inclusion in this circular:

Name	Qualification	Nature of opinion or advice	Date of opinion
Kingsway	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under Schedule 5 of the SFO)	Letter to the Independent Board Committee and the Independent Shareholders	31 May 2010

Kingsway has given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter and reference to their name in the form and context in which it appears.

As at the Latest Practicable Date, Kingsway did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

10. MISCELLANEOUS

- (a) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The qualified accountant of the Company is Ms. Wong Pui Shan, who is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.
- (d) The secretary of the Company is Ms. Chan Pui Shan, Bessie. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over Chinese text in the case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including 17 June 2010:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from Independent Board Committee, the text of which is set out on page 9 of this circular;
- (c) the letter from Kingsway, the text of which is set out on pages 10 to 16 of this circular;
- (d) the written consent from Kingsway referred to in paragraph headed "Qualification and Consent of Expert" in this appendix;
- (e) the annual reports of the Company for each of the two years ended 31 December 2009; and
- (f) the material contracts referred to the paragraph headed "Material Contracts" in this appendix.