

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 43)

### **VOLUNTARY ANNOUNCEMENT: OPTION TO ACQUIRE INTEREST IN C.P. VIETNAM LIVESTOCK CORPORATION**

**Financial Advisor to C.P. POKPHAND CO. LTD.**



**UBS AG, Hong Kong Branch**

On 21 January 2011, CPG and the Company entered into an Option Agreement pursuant to which CPG granted the Company an option to require CPG to sell or procure the sale of an aggregate of 70.82% of the total issued share capital of CPVL, an integrated livestock and aquaculture company in Vietnam. The Company shall have the absolute discretion in determining whether to exercise the Option. The Option exercise period will expire on 30 June 2011.

It is expected that should the Company decide to exercise the Option, the Acquisition would constitute a major transaction, and possible very substantial acquisition, and connected transaction under Chapters 14 and 14A of the Listing Rules.

The Board will carefully consider whether the Company should exercise the Option prior to the expiry of the exercise period in the light of the interests of the Company and its Shareholders as a whole. Further announcement(s) relating to the Option will be made pursuant to the requirements of the Listing Rules.

**As the Company may or may not exercise the Option and the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

## **OPTION AGREEMENT**

On 21 January 2011, CPG and the Company entered into an Option Agreement pursuant to which CPG, in consideration of the sum of US\$1.00, granted the Company an option to require CPG to sell or procure the sale of an aggregate of 70.82% of the total issued share capital of CPVL. The Company shall have the absolute discretion in determining whether to exercise the Option. The Option exercise period will expire on 30 June 2011.

## **PRICE OF THE ACQUISITION**

Should the Company decide to exercise the Option and proceed with the Acquisition, the price for the Acquisition shall be 12.5 times:

- (i) if the 2010 Audited Financial Statements are by then available, the sum of (a) 70.82% of an amount equal to the Audited NPAT and (b) the Audited 2010 Technical Service Fee Adjustment; or
- (ii) if the 2010 Audited Financial Statements are not yet available, the sum of (a) 70.82% of an amount equal to the Warranted NPAT (as described below) and (b) the Warranted 2010 Technical Service Fee Adjustment (as described below).

Should the Company decide to exercise the Option and proceed with the Acquisition, the price of the Acquisition shall be satisfied by the issuance of such number of Shares and such number of Convertible Preference Shares in such respective numbers as shall not result in the Company failing to comply with the Public Float Requirement. The issue price of such Shares and the conversion price of such Convertible Preference Shares shall be HK\$0.90 per Share, which represents:

- (i) a discount of approximately 14.3% to the closing price of HK\$1.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.9% to the average of the closing prices of approximately HK\$1.03 per Share for the 30 consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 4.7% to the average of the closing prices of approximately HK\$0.86 per Share for the 90 consecutive trading days up to and including the Last Trading Day.

## **TECHNICAL SERVICE FEE REBATE**

Under the Technical Service Agreement, CPG provides certain technical services to CPVL for which CPVL pays to CPG a Technical Service Fee equivalent to 3.0% of the net sales value of the products manufactured, produced and/or sold by CPVL in Vietnam or exported by CPVL from Vietnam.

If the Company decides to exercise the Option and proceeds with the Acquisition, CPG will immediately before the completion of the Acquisition enter into a deed of undertaking with the CPP Subsidiary under which CPG shall undertake in respect of the Technical Service Fee payable by CPVL, with effect from 1 January 2011 and on an ongoing basis for so long as such Technical Service Fee remains payable, to pay or procure to be paid to the CPP Subsidiary (net of any applicable withholding tax) an amount equal to that part of the Technical Service Fee paid to CPG (or its Affiliate(s) which is not part of the CPP Group) which is in excess of an amount equal to 1.5% of the net sales value of the products manufactured, produced and/or sold by CPVL in Vietnam or exported by CPVL from Vietnam less any applicable withholding tax thereon chargeable in Vietnam (the “**Technical Service Fee Rebate**”).

## **PROFIT AND NAV WARRANTIES**

Under the Option Agreement, CPG has warranted to the Company that:

- (i) the Audited NPAT shall not be less than VND 830 billion (equivalent to approximately US\$42.56 million at the Agreed VND/US\$ Rate) (the “**Warranted NPAT**”);
- (ii) the Audited 2010 Technical Service Fee Adjustment, shall not be less than VND 252 billion (equivalent to approximately US\$12.92 million at the Agreed VND/US\$ Rate) (the “**Warranted 2010 Technical Service Fee Adjustment**”); and
- (iii) the Audited NAV will not be less than VND 3,396 billion (equivalent to approximately US\$174.15 million at the Agreed VND/US\$ Rate).

In the event that the Company decides to exercise the Option and proceeds with the Acquisition at the exercise price determined on the basis of the Warranted NPAT and the Warranted 2010 Technical Service Fee Adjustment (and not the Audited NPAT and the Audited 2010 Technical Service Fee Adjustment), if the sum of (i) 70.82% of the Audited NPAT and (ii) the Audited 2010 Technical Service Fee Adjustment falls short of the sum of (i) 70.82% of the Warranted NPAT and (ii) the Warranted 2010 Technical Service Fee Adjustment, CPG shall pay an amount equal to 12.5 times such shortfall, in cash, to the Company.

## **THE SALE AND PURCHASE AGREEMENT**

Should the Company decide to exercise the Option and proceed with the Acquisition, CPG and the Company will be bound to enter into a sale and purchase agreement for the Acquisition as soon as practicable after the date of exercise of the Option. The sale and purchase agreement shall contain customary provisions, representations and warranties, conditions precedent and indemnities as would be expected for transactions of a similar nature to the Acquisition, including conditions precedent such as listing approval(s) having been obtained for the Shares to be issued (and for the Shares issuable upon conversion of the Convertible Preference Shares to be issued) in

satisfaction of the price of the Acquisition, the Technical Service Fee Rebate coming into effect contemporaneously with the completion of the Acquisition and independent shareholders' approval being obtained for the Acquisition and the continuing connected transaction represented by the arrangements between CPVL and CPG in respect of the Technical Service Fee as required under the Listing Rules.

### **INFORMATION ON CPVL**

CPVL was established in Vietnam in 1993 and is a fully integrated livestock and aquaculture company. As a leader in the livestock and aquaculture business in Vietnam, CPVL is principally engaged in the following:

- (i) manufacturing and distributing animal feed;
- (ii) breeding and farming livestock; and
- (iii) processing and producing meat and food products.

CPVL's main products include feed for swine, poultry, shrimp and fish and livestock farming products which accounted for approximately 55-60% and 30-35%, respectively, of the total revenue of CPVL for the year ended 31 December 2009.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE OPTION AGREEMENT**

The CPP Group is a leading feed producer in China controlling over 73 feed mills across 26 provinces and municipalities in China. Should the Company decide to exercise the Option, the Company will have the right to (i) acquire a controlling interest in a leading integrated livestock and aquaculture company in Vietnam; (ii) broaden and diversify the income base of the CPP Group; (iii) gain exposure to one of the fastest growing feed and farm markets in Southeast Asia; and (iv) gain enhanced economies of scale in purchasing raw materials for its combined feed business.

The Board will carefully consider whether the Company should exercise the Option prior to the expiry of the exercise period in the light of the interests of the Company and its Shareholders as a whole. Further announcement(s) relating to the Option will be made pursuant to the requirements of the Listing Rules.

### **LISTING RULES IMPLICATIONS**

It is expected that should the Company decide to exercise the Option, the Acquisition would constitute a major transaction, and possible very substantial acquisition, and connected transaction under Chapters 14 and 14A of the Listing Rules.

**As the Company may or may not exercise the Option and the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

“2010 Audited Financial Statements”	the financial statements of CPVL for the year ended 31 December 2010 as audited by Ernst & Young using International Financial Reporting Standards
“Acquisition”	the acquisition of the 70.82% interest in CPVL by the Company following the exercise of the Option
“Affiliates”	in relation to any specified person, any person that directly or indirectly Controls the specified person or is directly or indirectly Controlled by the specified person, or any person that is under direct or indirect common Control with the specified person
“Agreed VND/US\$ Rate”	the rate of VND19,500 to US\$1, being the exchange rate agreed between the Company and CPG as the prevailing rate of exchange between VND and US\$ as at 31 December 2010
“Audited 2010 Technical Service Fee Adjustment”	the amount which would have been receivable by a wholly-owned subsidiary of CPP incorporated in Hong Kong (or having a place of business in Hong Kong) (net of the withholding tax applicable under the laws of Thailand) in respect of the Technical Service Fee payable by CPVL to CPG for the year ended 31 December 2010, as determined on the basis of the 2010 Audited Financial Statements, if the arrangements for the Technical Service Fee Rebate had been effective in respect of that year and such subsidiary of CPP had been the CPP Subsidiary for the purpose of receiving the Technical Service Fee Rebate
“Audited NAV”	the net asset value of CPVL as at 31 December 2010 as determined on the basis of the 2010 Audited Financial Statements
“Audited NPAT”	the audited net profit after tax of CPVL for the year ended 31 December 2010 as determined on the basis of the 2010 Audited Financial Statements
“Board”	the board of directors of the Company
“Chearavanont Shareholders”	four members of the Chearavanont family, namely Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont, who, on an aggregate basis, are directly and indirectly interested in approximately 66% of the Shares in issue

“Control”	possession, directly or indirectly, of the power to direct or cause the direction of the operations and management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and “Controlled” and “Controls” shall be construed accordingly
“Company” or “CPP”	C.P. POKPHAND CO. LTD., an exempted company incorporated in Bermuda whose Shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
“Convertible Preference Shares”	convertible preference shares to be issued by the Company
“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
“CPP Group”	the Company and its subsidiaries from time to time
“CPP Subsidiary”	such existing or future wholly-owned subsidiary as CPP may designate for the purpose of receiving the Technical Service Fee Rebate
“CPVL”	C.P. Vietnam Livestock Corporation, a company incorporated in Vietnam
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	20 January 2011, being the last day on which the Shares were traded on the Stock Exchange immediately preceding the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option granted by CPG to the Company to require CPG to sell or procure the sale of an aggregate of 70.82% of the total issued share capital of CPVL

“Option Agreement”	the option agreement dated 21 January 2011 and entered into between CPG and the Company in relation to the Option
“Public Float Requirement”	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules
“Share(s)”	ordinary share(s) of US\$0.01 each in the capital of the Company
“Shareholders”	holders of Shares from time to time
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Technical Service Agreement”	the technical assistance services agreement dated 19 August 2009 entered into between CPVL and CPG
“Technical Service Fee”	the technical service fees payable by CPVL to CPG pursuant to the Technical Service Agreement for certain technical services provided by CPG to CPVL, including any similar fee payable on an ongoing basis by CPVL to any Affiliate(s) of CPG which is/are not part of the CPP Group under any agreement which is a renewal of or similar to the Technical Service Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“VND”	Vietnam Dong, the lawful currency of Vietnam

By order of the Board  
**Robert Ping-Hsien Ho**  
*Director*

Hong Kong, 21 January 2011

*As at the date of this announcement, the Board comprises eight executive Directors, namely, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, Mr. Soopakij Chearavanont, Mr. Anan Athigapanich, Mr. Damrongdej Chalongphuntarat, Mr. Bai Shanlin, Mr. Suphachai Chearavanont and Mr. Robert Ping-Hsien Ho, two non-executive Directors, namely Mr. Meth Jiaravanont and Mr. Patrick Thomas Siewert (Mr. Poon Yee Man Alwin as alternate Director), and three independent non-executive Directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul.*