



## EXPLANATORY STATEMENT

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### EXPLANATORY STATEMENT

It is proposed that at the 2004 Annual General Meeting of C.P. Pokphand Co. Ltd. (the “Company”), a resolution will be proposed granting the directors of the Company (the “Directors”) a general mandate to repurchase shares in its capital (“Shares”), since the previous general mandate granted to the Directors at the 2003 Annual General Meeting of the Company will expire at the forthcoming Annual General Meeting. In accordance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company is required to send to shareholders an explanatory statement (the “Explanatory Statement”) containing all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the above-mentioned resolution.

The purpose of the Explanatory Statement is to set out information required to be given to shareholders regarding the proposed granting to the Directors of a general mandate to repurchase Shares. The Shares proposed to be repurchased by the Company are fully paid-up.

#### (a) Exercise of the general mandate to repurchase Shares

The Resolution set out as Resolution B in paragraph 4 of the Notice convening the 2004 Annual General Meeting will, if passed, give a general unconditional mandate to the Directors (the “Share Repurchase Mandate”) to repurchase on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) Shares representing up to 10% of its share capital in issue at the date of such Resolutions at any time until the next Annual General Meeting of the Company of any earlier date as referred to in that Resolution (the “Relevant Period”). All repurchases of Shares on the Stock Exchange by the Company must be approved in advance by an ordinary resolution either by way of a general mandate or by specific approval in relation to specific transactions.

Accordingly, exercise in full of the Share Repurchase Mandate (on the basis of 2,158,480,786 Shares in issue as at 16th April, 2004, being the latest practicable date prior to the printing of the Explanatory Statement) would result in up to 215,848,078 Shares being repurchased by the Company during the Relevant Period.



## EXPLANATORY STATEMENT (CONTINUED)

**(b) Reasons for the repurchases**

The Directors believe that the flexibility afforded to them by the Share Repurchase Mandate would be beneficial to the Company and its shareholders. Repurchases pursuant to such mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the Shares and/or its earnings per share and the liquidity of the Shares on the Stock Exchange.

**(c) Funding of repurchases**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-Laws and the laws of Bermuda (under which the Company was incorporated). The Directors propose that any Shares repurchased under the Share Repurchase Mandate would be financed from capital paid up on the repurchased Shares, the profits of the Company which would otherwise be available for dividend, the Company's share premium account and/or its contributed surplus account.

If the Share Repurchase Mandate is exercised in full, there may be a material adverse effect on the working capital requirements of the Company or the gearing levels, as compared with the position disclosed in the Company's audited accounts for the year ended 31st December, 2003. The Directors will consider the financial conditions of the Company prevailing at the time whenever they consider exercising the repurchased mandate and do not propose to exercise such mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant repurchases unless the Directors determine that such repurchases are, taking account of all relevant factors, in the best interests of the Company.



## EXPLANATORY STATEMENT (CONTINUED)

### (d) Share prices

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the twelve months preceding the issue of the Explanatory Statement are as follows:

	Highest HK\$	Lowest HK\$
<b>2003</b>		
April	0.345	0.275
May	0.300	0.246
June	0.325	0.270
July	0.330	0.290
August	0.315	0.285
September	0.325	0.265
October	0.300	0.270
November	0.285	0.260
December	0.275	0.255
<b>2004</b>		
January	0.290	0.248
February	0.255	0.236
March	0.243	0.212



## EXPLANATORY STATEMENT (CONTINUED)

### (e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell Shares to the Company in the event that the Share Repurchase Mandate is approved by the shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Share Repurchase Mandate in accordance with the Listing Rules, the laws of Bermuda and the Memorandum of Association and Bye-Laws of the Company.

If as the result of a repurchase of shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). As a result, a shareholder, or group of shareholders acting in concert depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code. As at 16th April, 2004, being the latest practicable date prior to the printing of this Explanatory Statement, Pakeman Co. Inc. ("Pakeman"), Perfect Investment Limited ("Perfect") (through its subsidiaries) and CPI Holding Co., Ltd. ("CPI"), shareholders which are acting in concert, hold 1,066,662,834 Shares, representing approximately 49.4% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Share Repurchase Mandate, then (if the present shareholding otherwise remained the same), the interest held by Pakeman, Perfect and CPI which are acting in concert would be increased to approximately 54.9% of the issued share capital of the Company. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. The Directors have no present intention to repurchase any Shares and therefore do not propose to exercise the Share Repurchase Mandate to such extent.

The Company has not been notified by any connected person (as defined in the Listing Rules) that he has a present intention to sell Shares to the Company or has undertaken not to sell Shares held by them to the Company in the event that the Share Repurchase Mandate is approved by the shareholders.

The Company has not purchased any of Shares whether on the Stock Exchange or otherwise in the six months preceding the date of the Explanatory Statement.

Date: 16th April, 2004