



Charoen Pokphand Foods Plc.

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Company News : CPF aims for control of regional businesses

Price Performance : CPF

CPF aims for control of regional businesses

Deal will make it leader in East Asia

Bangkok Post on November 26, 2011

Charoen Pokphand Foods Plc (CPF), the SET-listed food flagship of the CP Group, announced a 66.3-billion-baht fund to gain control of agricultural subsidiaries in China and Vietnam.

The company's board yesterday approved the purchase of 74.18% of Hong Kong-listed CP Pokphand Co (CPP), which has two main businesses - animal feed in China, and integrated-farm operations in Vietnam via CP Vietnam Corporation (CPV).

Adirek Sripratak, CPF's president and chief executive, said the deal will see sales expand by 50% to 315 billion baht next year, from an estimated 210 billion this year, and make the company the leading agro-industrial concern in the region.

CPF will buy 18.79 billion CPP shares at HK\$0.90 apiece from Orient Success International Ltd, Worth Access Trading Ltd and CPI Holding Co, a value of US\$2.17 billion.

The company will help to fund the purchase by issuing 694 million shares priced at 30 baht each. The remaining US\$1.49 billion (46.8 billion baht) will be paid in cash.

The share issue will increase the number of CPF shares to 8.214 billion, up from 7.52 billion.

However, the board passed a resolution to reduce its capital through 471 million shares the company had bought back. As a result, its paid-up capital after all plans are completed will consist of 7.77 billion shares, an increase of only 3.32%.

Mr Adirek said the transaction, which is expected to receive shareholder approval at the Dec 18 meeting, will give CPF a presence in 12 countries and make big changes to its revenue structure, which now covers a wide range of businesses from farming to food.

Next year, the proportion of sales revenue from foreign operations will almost double to 51%.

Domestic sales and exports will represent 40% and 9% of the total, respectively, down from 61% and 13%.

Animal feed production capacity will increase to more than 20 million tonnes of poultry and aqua feedmeal annually.

Mr Adirek said the feed segment represents up to 95% of CPP, whose sales are spread over 28 Chinese provinces.

Its Chia Tai brand has been popular on the mainland for more than 30 years.

CPV in Vietnam is the leader in the integrated farm sector.

"This country of 90 million has great business potential. What we might do next is modernise the farming system there, promote more value-added food and branded products," Mr Adirek told a press briefing yesterday.



CPF achieved first-half sales of US\$1.19 billion for a net profit of US\$64 million, while CPV finished the first half with US\$648 million in sales for a net profit of US\$97 million.

CPF expects the deal will boost its net profit substantially next year.

Its combined sales amounted to 153 billion baht in the first nine months of this year, up by 8% year-on-year, for a net profit of 13.4 billion baht, up by 17%.

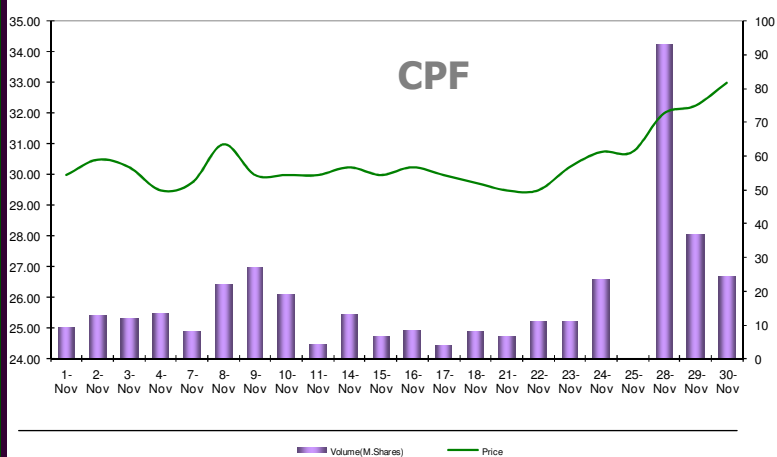
CPF's third-quarter net profit increased by 19% year-on-year to 5.09 billion baht.

However, the flood crisis has slowed domestic sales in the fourth quarter.

Mr Adirek said next year is expected to be better thanks to massive private and public spending to repair the damage. "Next year's economic growth will rise - gradually, but we are certain that GDP growth will be 4.5% to 5%," he said.

Price Performances: CPF

Price (Baht) Volume (Mil. shares)



November 2011

Highest Price	33.00
Lowest Price	29.50
Closed Price	33.00
Average Volume/Day	17,050,000

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