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Information Disclosure

The first step in the implementation of the new operational model has been the termination of the Nucleus-Plasma Agreement, effective from November 1, 2016, agreed on October 17, 2016 by CPB and the farmers representatives, with a view at implementing the new operational model from November 1, 2016.

The new operational model will grant the farmers a high degree of independence, as they will enjoy the discretion to operate their respective ponds and to set their own operational parameters, including funding of working capital requirements. In addition, the farmers will enjoy flexibility in respect of the supply chain, starting from November 1, 2016, due to the termination of the contractual Obligations regulating the Nucleus-Plasma Agreement, which require the farmers to purchase the pond supplies (such as shrimp feed, fry and related pond supplies) exclusively from, and to sell their harvest exclusively to, CPB or the Company. Instead, the farmers will be free to purchase pond supplies from, and to sell their harvests to, any party (including CPB).

We expect the new operational model to have a positive outcome for both the CPB's shrimp farmers, who will be able to continue their farming operations in the area of Lampung, and the Company. The Company is eager to build on its successful Free-Market model, which was similar to the new operational model implemented at CPB, named Kampung Vanamei (KaVe). The KaVe program has already been implemented by the Company since 2002 and it is currently fully implemented in various locations on the islands of Java, Sumatera, Sulawesi and Sumbawa.

Other assets owned by CPB in the Lampung area, including a feed mill (located at Tanjung Bintang, Lampung), a shrimp hatchery (located at Suak, Lampung) and a Food Processing Plant (known as FPD, located at Tulang Bawang, Lampung) are operational and will be operated normally. Fresh shrimp harvest from another shrimp farm managed by the Company, located at Ogan Komering Ilir, Palembang, South Sumatra, will continue to be processed at CPB's FPD.

In conclusion, the Company strongly believes that the new operational model is the most sensible model to support the growth of the farmers, CPB and the Company. The expansion of this program will allow the Company to continue to produce top quality shrimp products for export and to be the leader in the Indonesia's Marine and Fisheries industry.