

Charoen Pokphand Foods Public Company Limited (CPF)



The Opinion of the Independent Financial Advisor

regarding the connected transaction

14 September 2020

This English report of the Independent Financial Advisor's Opinions has been prepared solely for the convenience of foreign shareholders of Charoen Pokphand Foods Public Company Limited and should not be relied upon as the definitive and official document. The Thai language version of the Independent Financial Advisor's Opinion is the definitive and official document and shall prevail in all aspects in the event of any inconsistency with this English Translation.



Contents

1. Executive Summary.....	5
2. Information used in preparing the Independent Financial Advisor report.....	11
3. Characteristics and Details of the Transaction.....	13
3.1 Objective and Necessity of the Transaction.....	13
3.2 Date of Transaction.....	14
3.3 Related Parties and Relationship with Charoen Pokphand Foods Public Company Limited (CPF).....	14
3.4 Details of the Transaction.....	14
3.5 Summary of Acquired Assets.....	20
3.6 Information on Chia Tai Investment Co., Ltd. (“CTI”).....	29
4. Summary of CPF.....	30
5. Opinion of the Independent Financial Advisor on the Transaction.....	41
5.1 Comparison of advantages and disadvantages of entering into the transaction and not entering into the transaction.....	41
5.2 Comparison of advantages and disadvantages between entering into the transaction with connected person and other third parties.....	44
5.3 Risks from Entering into the Transaction.....	46
6. Appropriateness of price and conditions of the transaction.....	47
6.1 Appropriateness of price – Target Companies.....	47
6.2 Appropriateness of price – Animal Feed Business.....	54
6.2.1. Book Value Approach.....	54
6.2.2. Adjusted Book Value Approach.....	54
6.2.3. Market Comparable Approach.....	55
6.2.4. Discounted Cash Flow Approach or DCF.....	56
6.3 Summary of Valuation.....	62
6.4 Advantages and Limitations of Each Valuation Methodology.....	62
6.5 Appropriateness of the Terms and Conditions of Entering into the Transaction.....	63
7. Summary of the Opinion by the Independent Financial Advisor.....	65
Enclosure 1 Summary Information of The Target Companies.....	68



Glossary

Company group	Charoen Pokphand Foods Public Company Limited and subsidiaries
The Target Companies	43 companies established in the People's Republic of China (PRC) and are engaged in feed milling, swine farming, slaughtering and food processing businesses in PRC
SET	The Stock Exchange of Thailand
Independent Financial Advisor (IFA)	Asia Plus Advisory Company Limited
Acquisition or Disposition of Assets Notification (TorChor.20/2551)	The Notification of the Capital Market Supervisory Board No. TorChor. 20/2551, Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, dated 31 August 2008, and the Notification of the Board of Governors of the Stock Exchange of Thailand, Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004, dated 29 October 2004 (including any amendment thereto)
Connected Transactions Notification (TorChor.21/2551)	The Notification of the Capital Market Supervisory Board No. TorChor. 21/2551, Re: The requirements on the conclusion of connected transactions, dated 31 August 2008 (as amended), and the notification of the Board of Governors of the Stock Exchange of Thailand, Re: disclosure of information and operations of the listed company regarding connected transactions B.E. 2546, dated 19 November 2003 (including any amendment thereto)
ABV	Adjusted Book Value Approach
BV	Book Value Approach
CAGR	Compound Annual Growth Rate
CPF or Company	Charoen Pokphand Foods Public Company Limited



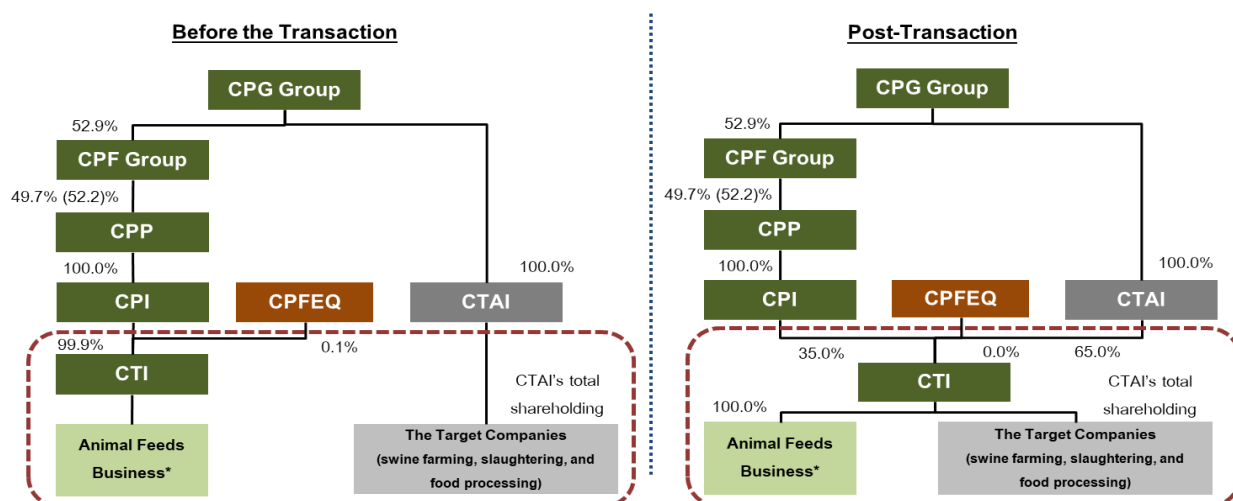
CPG	Charoen Pokphand Group Company Limited
CPI	CP China Investment Ltd.
CPP	C.P. Pokphand Co., Ltd.
CTAI	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.
CPFEQ	CP Food Enterprise (Qinhuangdao) Co., Ltd.
CTI	Chia Tai Investment Co., Ltd.
DCF	Discounted Cash Flow Approach
EV/EBITDA	Enterprise Value to EBITDA Ratio
FARM	The Target Companies
FEED	Animal Feeds Business
NTA	Net Tangible Assets
P/ABV	Price-to-Adjusted Book Value Ratio
P/E	Price-to-Earnings Ratio
SPA	Share Purchase Agreement



1. Executive Summary

The Board of Director of Charoen Pokphand Foods Public Company Limited (“CPF” or “Company”) has resolved in its meeting no. 10/2020 held on 11 September 2020 to propose to the Extraordinary General Meeting of Shareholders no. 1/2020, which will be held on 27 October 2020 to consider Chia Tai Investment Co., Ltd (“CTI”), an indirect subsidiary of CPF through C.P. Pokphand Co., Ltd (“CPP”), to acquire the equity capital of 43 companies that encompasses in feed milling, swine farming, slaughtering and food processing businesses in PRC (“Target Companies”) from Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd. (“CTAI”) for a total of RMB 28,140.0 million or equivalent to THB 131,287.2 Million¹ in return for CTI’s newly issued 2,703,169,902 shares, which accounted for 65% of the paid-up capital post-transaction, at RMB 10.4 per share or equivalent to THB 48.5 per share. Post transaction, CPP, originally had 100% holding in CTI, will be diluted to 35% of the paid-up capital. On the other hand, CPF’s indirect shareholding percentage in CTI will be reduced from 49.7% to 17.4% (or from 52.2% to 18.3% in the case of fully exercising the rights to convert CPP preferred shares to common shares scenario).

CTI’s shareholding structure before and after the execution of the transaction



Remark: The percentage of shareholding shown in parentheses reflects the case of exercising the rights to convert preferred shares into CPP shares in full.

*Include shares held in other companies that operate livestock farming and pharmaceutical production

Remark:

- Information as of 2 June 2020
- CPG, directly and indirectly, holds 52.9% in CPF as follows: CPG (25.4%), Jumbo Kingdom Ventures Limited (10.7%), Charoen Pokphand Holding Company Limited (8.6%), Orient Success international Limited (1.4%), Worth Access Trading Limited (1.4%), Creative Light Investments Limited (0.4%), CPF (Thailand) Public Company Limited (2.2%), Bangkok Produce Merchandising Public Company Limited (1.2%), Plenty Type Limited (0.9%), and CP Foods Capital Limited (0.7%)
- As of June 4, 2020, CPF has more than 80 shareholders, with the majority shareholder being Sumetjaravanon Company Limited (13.0%), an investment company with Mr. Sumet Chearavanont as ultimate shareholder. There are no other shareholders of CPG holds more than 10% shares
- CPF group holds 49.7% in CPP, through CPF Investment Limited (wholly owned subsidiary of CPF (100%))

¹ Exchange rate of 4.6655 THB/RMB as at 3 September 2020 (Source: Bank of Thailand)



The transaction constitutes as a Class 1 transaction pursuant to the Acquisition or Disposition of Assets Notification¹ and is a connected transaction under Connected Transactions Notification² because Charoen Pokphand Group Company Limited (“CPG”) is a major shareholder of both CTAI and CPF. The vested interest Directors did not attend the Board of Directors’ Meeting and did not cast the votes.

The transaction is classified as Acquisition of Assets under the Acquisition or Disposition of Assets Notification with the transaction size of 80.5% of Net Operating Profit, which is a maximum transaction value calculated from the Reviewed Consolidated Financial Statement for the last twelve months from 30 June 2020. The transaction is classified as Class 1 transaction pursuant to the Acquisition or Disposition of Assets Notification with the transaction size higher than 50% but less than 100%. Hence, CPF has the obligation to prepare report and disclose information memorandum to the Stock Exchange of Thailand (“SET”) and propose to the shareholders meeting to obtain the approval by the resolution of shareholders meeting with at least three-fourths of total votes of shareholders or proxies (if any) attending the meeting and eligible to vote, excluding vested interest shareholders.

The transaction is considered as a connected transaction in accordance with the Connected Transactions Notification due to having the following connected persons:

1. CPG as the major shareholder of both CPF (shareholding percentage of 52.9, details to follow) and CTAI (shareholding percentage of 100.0)
2. The following persons sit as Board of Director of CPF and CPG
 - a. Mr. Soopakij Chearavanont
 - b. Mr. Suphachai Chearavanont
 - c. Mr. Chingchai Lohawatanakul
 - d. Mr. Phongthep Chiaravanont

The transaction size is higher than THB 20.0 million and is more than 3.0% of Net Tangible Assets (NTA), resulted in CPF having the obligation to prepare report and disclose information memorandum to the Stock Exchange of Thailand (“SET”), to appoint an independent financial advisor, and to propose to the shareholders meeting to get the approval whereby the resolution of shareholders meeting shall require no less than three-fourths of total votes of shareholders or proxies (if any) attending the meeting and eligible to vote, excluding vested interest shareholders.

From the study of relevant information such as terms and conditions of the transaction, the advantages and disadvantages of entering and not entering into the transaction, the advantages and disadvantages of entering

¹ Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposal of Assets B.E. 2547 (2004) (including any amendment thereto)

² Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 (including any amendment thereto)



into a transaction with connected parties and outsider, risks from entering into the transaction, and the appropriateness of the price and terms and conditions, the opinion of the Independent Financial Advisor can be summarized as follows:

Advantages of Entering into the Transaction

- Ability to operate a comprehensive swine farm business
- Ability to improve operating performance from the recognition of the promising Target Companies' operation
- Ability to lower operational risks because the market and production capacity expansion plan are consistent between the Animal Feeds Business and the Target Companies
- Ability to efficiently manage financial liquidity
- Ability to reduce financial cost because this transaction does not require cash payment
- Ability to eliminate conflict of interests with CPG by integrating the operation of the Animal Feeds Business and the Target Companies

Disadvantages of Entering into the Transaction

- The Company group will lose control in CTI
- CPG will have control in both Animal Feeds Business and the Target Companies
- Accounting treatment will be affected due to CTI's performance will be recognized as share of profit (loss) from investments instead of a consolidation

Advantages of Not Entering into the Transaction

- CPF still has control in CTI
- No risks from Swine Farms Business

Disadvantages of Not Entering into the Transaction

- Lost the opportunity to enter into a promising Swine Farms Business
- Operating performance may not show signs of significant growth
- Lost the opportunity to diversify investment risks

Advantages of Entering into a Transaction with Connected Persons

- Ability to invest in many swine farms at once
- Promptness in negotiations and execution



- Ability to grow and develop in the same strategic direction as a result of having the same group of major shareholders
- Benefit from personnel with expertise in large swine farms business

Disadvantages of Entering into a Transaction with Connected Persons

- Conflict of interests in the negotiation of price, and terms and conditions may arise
- Subject to expenses and obligations to disclose information in accordance to the Connected Transactions Notification

Advantages of Entering into a Transaction with Outsider

- Conflict of interests in the negotiation of price, and terms and conditions are not present
- Neither subject to expenses nor obligations to disclose information in accordance to the Connected Transactions Notification

Disadvantages of Entering into a Transaction with Outsider

- Negotiations and executions may be time consuming, hence opportunity may be lost
- May not be able to pay with CTI's shares, resulting in increased financial costs
- May not benefit from personnel with expertise in large swine farms business

Appropriateness of the Terms and Conditions of the Transaction

The transaction's terms and conditions are fair on the basis of:

- Interests of both contracted parties are equally protected
- Condition Precedents must be satisfied for the transaction's contractual obligation to become legally enforceable and comply with the relevant rules and regulations of the SET and SEC for listing companies
- The contractual parties are required to obtain all relevant licenses and legal documents, which shall survive and remain in full force and effect
- The contractual parties shall not take any actions that could have material adverse impact on the performance of both CTI and the Target Companies

Risks from Entering into the Transaction

- Risk from CPP and CPF shareholders resolve not to approve the transaction
- Risk from unexpected performance of Swine Farms business



Appropriateness of the Price of the Transaction

To determine the fairness of the acquisition price that CTI will pay to acquire the equity capital of the Target Companies from the seller through issuing new shares, IFA appraised the business value of the Target Companies and Animal Feeds Business using the generally accepted approaches as follows:

1. Book Value Approach (“BV”)
2. Adjusted Book Value Approach (“ABV”)
3. Market Comparable Approach
 - 3.1. Price to Adjusted Book Value Approach (“P/ABV”)
 - 3.2. Price to Earnings Approach (“P/E”)
 - 3.3. Enterprise Value to EBITDA Approach (“EV/EBITDA”)
4. Discounted Cash Flow Approach (“DCF”)
5. Precedent Transaction Comparable Approach

Valuation Summary of The Target Companies (“FARM”) and Animal Feeds Business (“FEED”)

Unit: THB Million

Valuation Approach	Value of FARM	Value of FEED	Value of FEED and FARM	FARM to FEED Portion
1. Book Value (“BV”)	31,275	28,348	59,622	52:48
2. Adjusted Book Value (“ABV”)	24,694	24,982	49,676	50:50
3. Market Comparable				
3.1 P/ABV	117,575	70,368	187,943	63:37
3.2 P/E	529,864	100,302	630,166	84:16
3.3 EV/EBITDA	No information on EBITDA			
4. Discounted Cash Flow (“DCF”)	140,927	64,566	205,493	69:31
Sensitivity analysis				
Pessimistic Scenario	125,242	51,485	176,727	71:29
Optimistic Scenario	160,504	77,647	238,151	67:33
5. Precedent Transaction Comparable	No appropriate comparable			

Based on the information related to the transaction, management interview, current market condition information and industry trends, the IFA has opined that entering into the transaction will allow CPF to expand and enter into the swine farms business in the People's Republic of China and operates an integrated swine farms business. In addition, CPF will be able to achieve operating performance benefits from the Target Companies' promising outlook, lower operational risks through the alignment of the business expansion plan between animal feed business and swine farm business, periodic financial liquidity management efficiency, and reduce potential



conflict of interests with CPG on the grounds of business management under the supervision of independent directors without incurring additional financial cost by settling the transaction with CTI's newly issued shares.

IFA has opined that settling the transaction with CTI's newly issued shares is more appropriate than settling with cash because this allowed CTI to maintain its financial liquidity and to not incurred financial cost. Withal, there would be no negative impact on the operating results and financial policy ratio¹ that may adversely affect CPF. In this regards, the IFA has conducted the valuation of FARM and FEED using various valuation methodologies and opined that the most appropriate approach is the discounted cash flow approach (DCF), which appropriately reflected the business plan and profitability, with the value of FARM at RMB 30,206 million or equivalent to THB 140,927 million and the value of FEED at RMB 13,840 million or equivalent to THB 64,566 million. Post transaction, the appropriate value portion of FARM and FEED to value of CTI is at 69:31. Thus, entering into the transaction is reasonable and beneficial to CPF due to the post transaction value portion of FEED compared to the value of CTI is at 35%, which is higher than what was assessed by the IFA at 31%. Additionally, the terms and conditions of the transaction are appropriate and fair.

Considering the advantages, disadvantages, and risk of entering into the transaction, the IFA viewed that entering into the transaction is appropriate with fair price and terms and conditions. The benefits outweigh the limitations and suggested that the shareholders should approve the transaction.

The shareholders are advised to consider the reasonableness and the opinion of the IFA, whereby the IFA assumed that all information, documents and drafted documents received together with interviews with the management and related parties are truthful, complete and accurate. The assumptions used to prepare the financial projection are reasonable based solely on the current condition and situation. Hence, if there were to be any significant changes from the current condition and/or any information were to be inaccurate, the opinion of IFA provided in this report may be materially affected, for which the IFA will not be held accountable. The decision to cast a vote for or against the transaction shall be subjected to the shareholders' discretion.

¹ Financial policy ratio includes Debt to Equity Ratio, Interest Coverage Ratio, and Dividend Payout Ratio



2. Information used in preparing the Independent Financial Advisor report

Asia Plus Advisory Co., Ltd., as the Independent Financial Advisor approved by the Office of Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) and is independent from Charoen Pokphand Foods Public Company Limited (“CPF”) or (“Company”) and its subsidiaries, collectively referred to as “Company group”, has reviewed and studied the information gathered from and provided by the Company group and other relevant information, together with publicly available information. The information and documents used in preparing this report included but not limited to the following:

- The Resolution of the Company’s Board of Director’s Meetings and the Information Memorandum in relation to the transaction
- The Company’s Information Disclosure (Form 56-1) for the year ended 2019
- The Company group’s audited and/or reviewed financial statement
- Chia Tai Investment Co., Ltd. (“CTI”) Drafted Combined Statement for the year ended 2017 – 2019 and 6-month period ended 30 June 2020, prepared by the External Auditor, received on 16 September 2020 and Drafted Combined Statement for 5-month period ended 31 May 2020, prepared by CTI’s management, received on 18 September 2020
- Combined Statements as of 31 December 2017 – 31 December 2019 and 5-month period ended 31 May 2020 of the Target Companies (“FARM”), prepared by the External Auditor received on 16 September 2020
- Reports of other advisors in relation to the Target Companies including the summary of Legal Due Diligence Report as of 21 August 2020 (English version) and the Drafted Accounting Due Diligence Report, prepared by the External Auditor received on 8 September 2020
- The Target Companies and CTI’s business plan
- Drafted version of the Share Purchase Agreement received on 8 September 2020
- Stock Exchange Market statistical data, economic conditions and information on related industries
- Interviews with CTI’s Management, Target Companies’ Management, and the financial advisor of C.P. Pokphand Co., Ltd. (“CPP”) regarding the current business operations, including business strategies in the next 3 – 5 years

The IFA has performed the study and analysis with due diligence and care in accordance with professional standard. The opinion of the IFA is based on the information and documents received together with interviews with management and related parties, whereby the IFA assumed that all information received is truthful and accurate. In addition, the IFA considered that any drafted contract will be in full force and effect and be binding and enforceable by law, without any information, events or conditions that may affect the execution of the transaction.



The IFA has no reason to doubt that the aforementioned information and documents are materially inaccurate or incomplete in any aspect that would have any material adverse effect on the analysis of the information.

The IFA opinion is prepared based on the received information under the current industry situation, economic condition, and other external factors as of the time of study only. If there are significant changes to the current condition/situation, the IFA opinion may be materially affected. However, the IFA has no obligation to adjust, revise, or review the up-to-date information in this report.

The IFA report is prepared for the use and benefits of the Company's shareholders. However, the decision to vote for or against the transaction rests primarily with the shareholders. The shareholders are advised to study the information as well as consider the attached documents submitted to the shareholders along with the invitation letter, and shall exercise reasonable care before casting a vote to ensure that the shareholders are considering and approving the transaction in an appropriate manner.



3. Characteristics and Details of the Transaction

The Board of Director of Charoen Pokphand Foods Public Company Limited (“CPF” or “Company”) has resolved in its meeting no. 10/2020 held on 11 September 2020 to propose to the Extraordinary General Meeting of Shareholders no. 1/2020, which will be held on 27 October 2020 to consider CTI, an indirect subsidiary of CPF through CPP, CPF’s subsidiary, to acquire the Target Companies from Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd. (“CTAI”) for a total of RMB 28,140.0 million or equivalent to THB 131,287.2 Million¹ in return for CTI’s newly issued 2,703,169,902 shares, which accounted for 65% of the paid-up capital post-transaction, at RMB 10.4 per share or equivalent to THB 48.5 per share. Post transaction, CPP, originally had 100% holding in CTI, will be diluted to 35% of the paid-up capital. On the other hand, CPF’s indirect shareholding percentage in CTI will be reduced from 49.7% to 17.4% (or from 52.2% to 18.3% in the case of fully exercising the rights to convert CPP preferred shares to common shares scenario). The transaction constitutes as a Class 1 transaction pursuant to the Acquisition or Disposition of Assets Notification² and is a connected transaction under Connected Transactions Notification³ because Charoen Pokphand Group Company Limited (“CPG”) is a major shareholder of both CTAI and CPF. In this regard, the vested interest Directors did not attend the Board of Directors’ Meeting and are ineligible to vote.

3.1 Objective and Necessity of the Transaction

CPP’s Board of Directors opined that this transaction will create the following benefits:

1. CTI would be able to penetrate the PRC swine market which has a vigorous growth outlook and will assist CTI to become one of the largest operators in vertically integrated feed and swine business in terms of market share
2. CTI will integrate with the Target Companies and become a group that engages in feed milling, swine farming, slaughtering, and food processing businesses. This vertical integration allows operators (CTI going forward included) to better responds to market changes, leverage the expertise across the value chain and further broaden its presences in the future
3. Although CPP’s interests in CTI will be reduced to 35%, its net assets value will be augmented, and gain from disposal of assets will be recorded⁴, and
4. CPP is expected to continue its involvement in CTI’s through management and board representations, as well as to maintain significant influence on CTI’s strategic direction going forward through management

¹ Exchange rate of 4.6655 THB/RMB as at 3 September 2020 (Source: Bank of Thailand)

² Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposal of Assets B.E. 2547 (2004) (including any amendment thereto)

³ Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 (including any amendment thereto)

⁴ Gains from asset disposal is the difference between the agreed value of CTI (RMB 15,159 million, equivalent to THB 70,724.3 million, or 35% of CTI’s value post-transaction) and CTI’s net assets at book value at Completion Date



participation and Board of Directors representations. Moreover, to facilitate future business decisions, CPP will be granted access to CTI and the Target Company's information.

3.2 Date of Transaction

The completion of the transaction is subject to the resolution of the Company's Extraordinary General Meeting of Shareholders has resolved in its meeting no. 1/2020 to be held on 27 October 2020 and subject to the fulfillment of the condition precedents set out in the Share Purchase Agreement.

3.3 Related Parties and Relationship with Charoen Pokphand Foods Public Company Limited (CPF)

Acquiror	CTI
Vendor	CTAI
Relationship with CPF	<ul style="list-style-type: none"> ● CTI is an indirect subsidiary of CPF through CPP ● CP China Investment Ltd. ("CPI") is a direct wholly owned subsidiary of CPP ● CP Food Enterprise (Qinhuangdao) Co., Ltd. (CPFEQ) is a direct wholly owned subsidiary of CPP ● CTAI is a direct wholly owned subsidiary of CPG ● CPG as a major shareholder of CPF (CPG group holds approximately 52.9%, details to follow) and CTAI (holds approximately 100.0%) ● The following persons sit as Board of Director of CPF and CPG <ol style="list-style-type: none"> 1. Mr. Soopakij Chearavanont 2. Mr. Suphachai Chearavanont 3. Mr. Chingchai Lohawatanakul 4. Mr. Phongthep Chiaravanont

3.4 Details of the Transaction

Total Value of Consideration, Payment Method, and Source of Funds

CTI will acquire the equity capital of the Target Companies from CTAI (see attached documents) for an aggregate consideration of approximately RMB 28,140 million or equivalent to THB 131,287.2 million. The consideration will be settled by shares issuance of 2,703,169,902 shares by CTI at RMB 10.4 per shares or approximately THB 48.5 per shares.

Criteria used in Determining the Value of Acquired Assets and Value of Consideration

The value of the Target Companies was determined upon the arm's length negotiations between the contractual parties with reference to the price to earnings multiple of 5.0 applied to the Target Companies Profit Warranty¹ and having also considered the following:

¹ Please refer to details in the Summary of Share Purchase Agreement

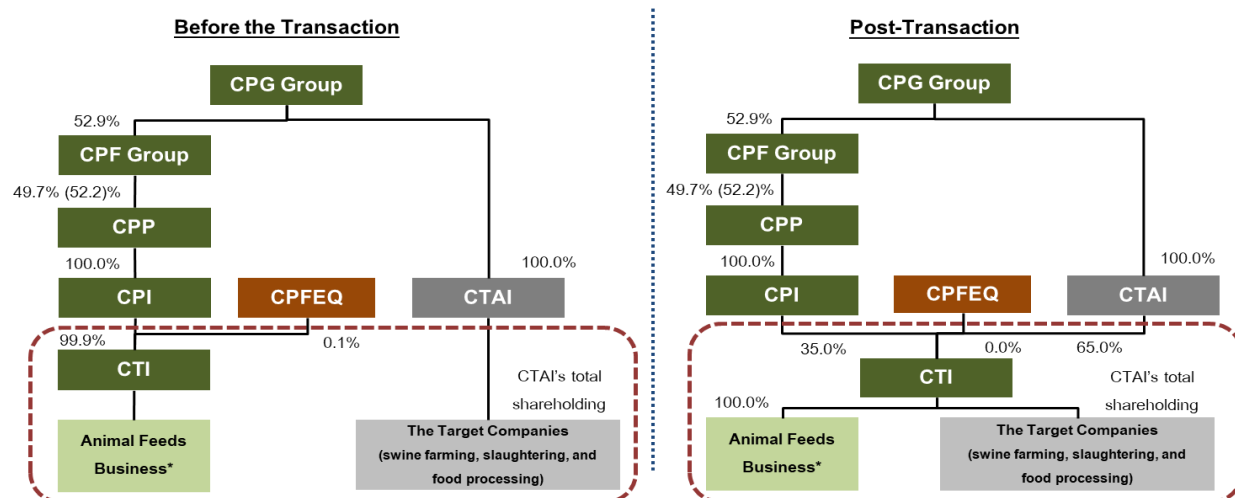


- Precedent transactions involving the acquisition of or investment in companies principally engaged in a similar business in PRC
- Average price-earnings multiple of the listed companies engaged in a similar business as the Target Companies in PRC; and
- A comparison of the historical performance for the year ended 2018 – 2019 and for the period ended 31 May 2020 of the Target Companies against that of CTI

The agreed value of CTI newly issued shares in return to CTAI was determined upon arm's length negotiations between the contractual parties at RMB 15,158.6 million, with reference to the average price-earnings multiple of 15.8 applied to the CTI Profit Warranty, and having also considered the following:

- Precedent transactions involving the acquisition of or investments in companies principally engaged in a similar business as CTI in PRC; and
- The average price-earnings multiple of listed companies engaged in a similar business as CTI in PRC.

Shareholding Structure Before and After the Execution of the Transaction



Remark: The percentage of shareholding shown in parentheses reflects the case of exercising the rights to convert preferred shares into CPP shares in full.

*Include shares held in other companies that operate livestock farming and pharmaceutical production

Remark:

1. Information as of 2 June 2020
2. CPG, directly and indirectly, holds 52.9% in CPF as follows: CPG (25.4%), Jumbo Kingdom Ventures Limited (10.7%), Charoen Pokphand Holding Company Limited (8.6%), Orient Success international Limited (1.4%), Worth Access Trading Limited (1.4%), Creative Light Investments Limited (0.4%), CPF (Thailand) Public Company Limited (2.2%), Bangkok Produce Merchandising Public Company Limited (1.2%), Plenty Type Limited (0.9%), and CP Foods Capital Limited (0.7%)
3. As of June 4, 2020, CPF has more than 80 shareholders, with the majority shareholder being Sumetjaravanon Company Limited (13.0%), an investment company with Mr. Sumet Chearavanont as ultimate shareholder. There are no other shareholders of CPG holds more than 10% shares
4. CPF group holds 49.7% in CPP, through CPF Investment Limited (wholly owned subsidiary of CPF (100%))

CTI's Board of Directors Structure Before and After the Execution of the Transaction

There is no change to the Board of Directors' structure post transaction. The CTI Board of Directors is as follows:

- 1) Mr. Soopakij Chearavanont Chairman
- 2) Mr. Yang Xiaoping Director
- 3) Mr. Xie Yi Director
- 4) Mr. Bai Shanlin Director
- 5) Mr. Zhou Yongshun Director
- 6) Mr. Huo Er-feng Director
- 7) Mr. Paisan Youngsomboon Director

Summary of Share Purchase Agreement ("SPA")

Contractual Parties	<ol style="list-style-type: none"> 1) CTI 2) CPI 3) CTFEQ and 4) CTAI 																																
Transaction Description	CTI entered into a contractual agreement with CPI, CPFEQ, and CTAI, where CTI agreed to conditionally purchase and CTAI agreed to conditionally sell, the equity capital of each of the Target Companies, total of 43 farms, held by the CTAI, with the transaction being settled by the issue of CTI's new shares																																
CTI's Shareholding Structure	<table border="1"> <thead> <tr> <th rowspan="2">Shareholders</th> <th colspan="2">Pre transaction</th> <th colspan="2">Post transaction</th> </tr> <tr> <th>No. of Shares</th> <th>%</th> <th>No. of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>CPI</td> <td>1,454,097,471</td> <td>99.9</td> <td>1,454,097,471</td> <td>35.0</td> </tr> <tr> <td>CPFEQ</td> <td>1,455,553</td> <td>0.1</td> <td>1,455,553</td> <td>0.0</td> </tr> <tr> <td>CTAI</td> <td>-</td> <td>-</td> <td>2,703,169,902</td> <td>65.0</td> </tr> <tr> <td>รวม</td> <td>1,455,553,024</td> <td>100.0</td> <td>4,158,722,926</td> <td>100.0</td> </tr> </tbody> </table>				Shareholders	Pre transaction		Post transaction		No. of Shares	%	No. of Shares	%	CPI	1,454,097,471	99.9	1,454,097,471	35.0	CPFEQ	1,455,553	0.1	1,455,553	0.0	CTAI	-	-	2,703,169,902	65.0	รวม	1,455,553,024	100.0	4,158,722,926	100.0
Shareholders	Pre transaction		Post transaction																														
	No. of Shares	%	No. of Shares	%																													
CPI	1,454,097,471	99.9	1,454,097,471	35.0																													
CPFEQ	1,455,553	0.1	1,455,553	0.0																													
CTAI	-	-	2,703,169,902	65.0																													
รวม	1,455,553,024	100.0	4,158,722,926	100.0																													
Condition Precedents	<ul style="list-style-type: none"> ● CTI having completed the business, financial and legal due diligence on the Target Companies and there have not been any material adverse change; CTI being satisfied with the results of the said due diligence ● The Board of Directors and Shareholders of CPF and CPP having resolved to approve the transaction 																																



	<ul style="list-style-type: none"> ● CTI and CTAI having completed the pre-closing restructuring for the purpose of this transaction
Profit Warranty	<ul style="list-style-type: none"> ● CPI and CPFEQ will provide the CTI Profit Warranty in favor of CTAI, and CTAI will provide the Target Companies Profit Warranty in favor of CPI and CPFEQ ● If the profit warranties cannot be met by either party, except if the shortfall is a result of force majeure events out of the control of the party providing the warranty (including natural catastrophes, animal disease outbreaks, material disruptions in transportations and acts of gods), the amount to be paid in cash by the relevant party under the warranties are set out below. <ol style="list-style-type: none"> 1. If the actual amount of profit (before fair value adjustment of biological assets) attributable to the Target Companies' shareholders on a combined basis for the year ending 31 December 2020 (the "Actual Target Companies Profit") is less than the amount representing 85% of the profit warranted under the Target Companies Profit Warranty CTAI shall pay to CPI and CPFEQ the lower amount between: <ol style="list-style-type: none"> a. $35\% \times (\text{RMB } 5,617 \text{ million} \times 85\% - \text{Actual Target Profit}) \times 5.0$ and b. $35\% \times (\text{RMB } 5,617 \text{ million} \times 15\%) \times 5.0 = \text{RMB } 1,474 \text{ million}$ 2. If the actual amount of combined profit attributable to shareholders of CTI (assuming that the restructuring of CTI for the purpose of the transaction had been completed as at 1 January) for the year ending 31 December 2020 (the "Actual CTI Profit") is less than the amount representing 85% of the profit warranted under the CTI Profit Warranty, CPI and CPFEQ shall pay to CTAI the lower amount between: <ol style="list-style-type: none"> a. $35\% \times (\text{RMB } 959 \text{ million} \times 85\% - \text{Actual CTI Profit}) \times 15.8$ and b. $35\% \times (\text{RMB } 959 \text{ million} \times 15\%) \times 15.8 = \text{RMB } 795 \text{ million}$
Relevant Agreements	<ul style="list-style-type: none"> ● The Target Companies and CTI shall: <ul style="list-style-type: none"> ○ Not altered the registered capital, capital structure or issue any securities ○ Not share any profits or declare any dividends ○ Not invest, acquire or dispose business or assets, or create encumbrances or debt/borrowing ● The operational performance of the Target Companies and CTI from 31 May 2020 to the transaction date shall belong to CTI's shareholders ● CTI and CTAI shall pay dividend to existing shareholders at the amount of RMB 800 million (equivalent to approximately THB 3,732.4 million) and

	RMB 1,450.0 million (equivalent to approximately THB 6,765.0 million), respectively. Yet, such dividend payment shall not have any effects on the agreed consideration.
Representation & Warranty	<ul style="list-style-type: none"> The Contractual Parties represent and warrant that FARM or FEED has relevant requisite licenses and ownership documents related to business operation

Agreement between Shareholders

- None -

Type and Size of Transaction Pursuant to the Acquisition or Disposition of Assets Notification

Transaction size per the Acquisition or Disposition of Assets Notification as follows:

Asset Acquisition Transaction Criteria	Description	Transaction Size¹⁾ %
1. Net Tangible Assets (NTA)	$\frac{\text{NTA}^{2)} \text{ of the Acquired or Disposed Entity} \times \text{Shareholding Proportion} \times 100}{\% \text{NTA}^{2)} \text{ of the listing company}}$	37.2 ⁴⁾
2. Net Operating Profit ³⁾	$\frac{\text{Net Operating Profit of Acquired or Disposed Entity} \times 100}{\text{Net Operating Profit of the listing company}}$	80.5
3. Total Value of Consideration	$\frac{\text{Value Paid or Received} \times 100}{\text{Total Assets of the listing company}}$	17.5
4. Equity Value	$\frac{\text{Equity Shares Issued for the Payment of Assets} \times 100}{\text{Paid-up Shares of the Company}}$	47.9 ⁴⁾

Remark:

- 1) Calculated based on the Company's Reviewed Consolidated Financial Statement for 6 months period ended 30 June 2020, with adjustment from the Company's treasury stock as at 28 August 2020 and FARM's Financial Statement for 5 months period ended 31 May 2020
- 2) Net Tangible Assets (NTA) is calculated from Total Assets – Intangible Assets – Total Liabilities – Non-Controlling Interests
- 3) Calculated based on the Company's Reviewed Consolidated Financial Statement for the last twelve months period ended 30 June 2020 and FARM's Financial Statement for 5 months period ended 31 May 2020
- 4) With adjustment of the remaining Company's treasury stock amount as of 28 August 2020, and exercise the rights to convert debts to CPF shares under the Exchangeable Bonds issued by CP Foods Capital, the transaction size calculated under the NTA and Equity Value criteria equals 33.7% and 46.6%, respectively.
- 5) CPF has not acquired or disposed any of the Company group's assets during the past 6 months (11 March 2020 to 11 September 2020)

The maximum transaction size equals to 80.5% of the latest Net Operating Profit based on the Consolidated Financial Statement for the last twelve months from 30 June 2020. Hence, the transaction is classified as a Class 1 transaction pursuant to the Acquisition or Disposition of Assets Notification with the transaction size higher than 50% but less than 100%, CPF has the obligation to prepare report and disclose information memorandum to the Stock Exchange of Thailand ("SET") and propose to the shareholders meeting to obtain



the approval by the resolution of shareholders meeting with at least three-fourths of total votes of shareholders or proxies (if any) attending the meeting and eligible to vote, excluding vested interest shareholders.

Type and Size of Transaction Pursuant to the Connected Transactions Notification

This transaction constitutes as a connected transaction pursuant to the Connected Transactions Notification with related persons as follows:

1. CPG as a major shareholder of CPF (CPG group holds approximately 52.9%) and CTAI (holds approximately 100.0%)
2. The following persons sit as Board of Director of CPF and CPG:
 - a. Mr. Soopakij Chearavanont
 - b. Mr. Suphachai Chearavanont
 - c. Mr. Chingchai Lohawatanakul
 - d. Mr. Phongthep Chiaravanont

Remark: Vested interest Board members must sit out of the Board of Directors' Meeting for the consideration of connected transaction and are ineligible to vote.

The value of the connected transaction is as follows:

Transaction Value Calculation Criteria (Choose the maximum value)	Transaction Value (Unit: THB MM)
1. Total Consideration Value	131,287.2
2. Total Book Value of the Target Companies	29,590.8
3. Total Market Value of the Target Companies	N/A

The value of the connected transaction is based on the Company's Reviewed Consolidated Financial Statement for the 6 months period ended 30 June 2020 and FARM's Financial Statement for the 5 months period 31 May 2020. The transaction size is higher than THB 20.0 million and is more than 3.0% of Net Tangible Assets (NTA), resulting in CPF having the obligation to prepare report and disclose information memorandum to the SET, to appoint an independent financial advisor, and to propose to the shareholders meeting to get the approval whereby the resolution of shareholders meeting shall require no less than three-fourths of total votes of shareholders or proxies (if any) attending the meeting and eligible to vote, excluding vested interest shareholders.



3.5 Summary of Acquired Assets

Nature of Business

The Target Companies have facilities located in 22 provinces in the People's Republic of China including Hubei, Inner Mongolia, Sichuan, Chongqing, Jiangsu, Liaoning, Anhui, Fujian, Gansu, Guangdong, Guangxi Dong Autonomous Region, Guizhou, Henan, Hebei, Hunan, Jinling, Jiangxi, Shaanxi, Shanxi, Shandong, Yunnan, and Xinjiang Uyghur Autonomous Region, where CTAI holds approximately 60% – 100% stakes in swine farms, with main operations as follows:

1. Swine farms (main business) divided into:
 - 1.1. Vendor group farm
 - 1.2. Hire external swine farms to raise swine, whereby the vendor group will provide piglets, feeds, and other materials to the external swine farms. The said swine would belong to the vendor group in return for compensations
 - 1.3. Sell piglets to external swine farms and buy back when fully grown
 - 1.4. Sell sows and boars (collectively “swine breeders”)
2. Swine slaughtering business

The Target Companies have farming capacity of approximately 7.0 million hogs per annum. Once the piglets are fully grown, farms will transfer them to the vendor's slaughtered houses and/or sell to external slaughtered houses.

The percentage of the Target Companies' income classified into business segments for 2018 – 5M2020:

Income	2018			2019			5M2020		
	RMB Million	THB Million	%	RMB Million	THB Million	%	RMB Million	THB Million	%
Swine Farm Business	5,461	25,477	84	8,504	39,677	84	5,764	26,894	86
Swine Slaughtering Business	1,009	4,706	16	1,634	7,625	16	939	4,379	14
Total Income	6,470	30,184	100	10,139	47,301	100	6,703	31,273	100

Source: Financial Statement prepared by the Target Companies' management and reviewed by the External Auditor

Remark: Exchange rate of 4.6655 THB/RMB as at 3 September 2020 (Source: Bank of Thailand)



Top 10 Shareholders of CPG

Top 10 shareholders of CPG as of 4 June 2020 as follows:

Shareholders	% Shares
1. Sumetjaravanon Co., Ltd.	13.0%
2. Mrs. Somurai Jaruphnit	8.4%
3. Mr. Dhanin Chearavanont	6.5%
4. Mr. Nakul Chiaravanont	6.0%
5. C.P. Holding (Thailand) Co., Ltd.	4.5%
6. Mr. Phongthep Chiaravanont	4.3%
7. Mr. Manas Chiaravanond	4.2%
8. Mrs. Somsri Lumsam	4.2%
9. Mr. Nopadol Chiaravanont	3.0%
10. Mrs. Nuchanart Chiaravanond	3.0%

Remark: Mr. Sumet Jiaravanon is the ultimate shareholder of Sumetjaravanon Co., Ltd.

Board of Directors of CPG

1. Mr. Jaran Chiaravanont
2. Mr. Sumet Jiaravanon
3. Mr. Montri Jiaravanont
4. Mr. Dhanin Chearavanont
5. Mr. Soopakij Chearavanont
6. Mr. Suphachai Chearavanont
7. Mr. Wanlop Chiaravanont
8. Mr. Prasert Poongkumarn
9. Mr. Min Tieworn
10. Mr. Phongthep Chiaravanont
11. Mr. Chingchai Lohawatanakul



Target Companies' Performance for the Past 3 Years and for the 5-month Period Ended 31 May 2020

Consolidated Income Statement	2017		2018		2019		5M2020	
	RMB Million	THB Million	RMB Million	THB Million	RMB Million	THB Million	RMB Million	THB Million
Income	5,821	27,156	6,470	30,184	10,139	47,301	6,703	31,273
Cost of Sales	(5,097)	(23,781)	(6,559)	(30,601)	(7,768)	(36,239)	(3,692)	(17,223)
Gross Profit	723	3,375	(89)	(417)	2,371	11,062	3,012	14,050
Selling Expense	(106)	(496)	(119)	(556)	(146)	(682)	(64)	(299)
Administrative Expense	(402)	(1,874)	(326)	(1,523)	(732)	(3,417)	(376)	(1,752)
Other Income (Loss)	22	103	(50)	(234)	(125)	(582)	12	56
Change in Fair Value of Biological Assets	(481)	(2,242)	(61)	(284)	2,217	10,343	493	2,299
Profit (Loss) from Sales of Biological Assets at Fair Value	20	92	(16)	(76)	89	413	130	608
Profit (Loss) from Operations	(223)	(1,042)	(663)	(3,091)	3,673	17,137	3,207	14,962
Finance Costs	(241)	(1,125)	(290)	(1,352)	(438)	(2,044)	(194)	(905)
Share of Profits (Loss) of Associates	-	-	(0)	(0)	(12)	(56)	4	20
Profit (Loss) Before Tax	(464)	(2,167)	(952)	(4,443)	3,223	15,036	3,017	14,076
Tax	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Profit (Loss)	(464)	(2,167)	(952)	(4,444)	3,223	15,036	3,017	14,076

Source: Financial Statement prepared by the Target Companies' management and reviewed by the External Auditor

Remark: Exchange rate of 4.6655 THB/RMB as at 3 September 2020 (Source: Bank of Thailand)

Target Companies' Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	2017		2018		2019		5M2020	
	RMB Million	THB Million	RMB Million	THB Million	RMB Million	THB Million	RMB Million	THB Million
Cash and Cash Equivalents	194	906	162	755	453	2,113	868	4,048
Financial Assets	41	193	52	244	89	413	114	533
Trade Account Receivables and Other Receivables	119	554	247	1,153	511	2,386	802	3,740
Amount to be received from RP	250	1,166	288	1,343	292	1,363	1,457	6,799
Other Current Assets	320	1,494	265	1,235	462	2,154	525	2,451
Inventories	221	1,030	248	1,158	317	1,478	335	1,562
Current Biological Assets	1,407	6,562	1,838	8,577	4,032	18,812	5,444	25,397
Investments in Associates	1	5	23	107	65	303	69	323
Rights of Use	1,677	7,824	2,549	11,891	2,809	13,103	2,716	12,673
Property, Plant, and Equipment	2,729	12,732	3,155	14,721	3,268	15,248	3,381	15,772
Goodwill	9	43	9	43	9	43	10	44
Other Intangible Assets	1	5	1	3	0	1	0	0
Non-current Biological Assets	432	2,015	518	2,419	659	3,075	748	3,490
Other Non-current Assets	104	485	24	113	50	234	61	286
Total Assets	7,505	35,014	9,380	43,763	13,016	60,726	16,529	77,117
Short-term Borrowings	689	3,216	928	4,332	1,242	5,794	1,336	6,232
Financial Liabilities	-	-	-	-	-	-	-	-
Trade Account Payables	1,419	6,619	2,853	13,310	2,237	10,434	2,461	11,481
Amount to be paid to RP	583	2,722	701	3,271	703	3,278	606	2,829
Advance Receipts, Other Liabilities, Accrued expenses	850	3,963	1,008	4,704	1,452	6,775	1,662	7,754
Current Lease Liabilities	189	881	290	1,351	326	1,521	318	1,482
Long-term Borrowings	669	3,119	650	3,034	498	2,323	680	3,173
Deferred Income	20	92	19	89	19	87	19	87
Long-term Lease Liabilities	1,409	6,571	2,298	10,720	2,614	12,198	2,557	11,930
Total Liabilities	5,827	27,184	8,748	40,812	9,091	42,412	9,638	44,968
Paid-up Capital	2,946	13,746	3,312	15,450	3,428	15,993	3,604	16,815
Reserves	(1,320)	(6,158)	(2,690)	(12,549)	374	1,747	3,099	14,460

Consolidated Statement of Financial Position	2017		2018		2019		5M2020	
	RMB Million	THB Million	RMB Million	THB Million	RMB Million	THB Million	RMB Million	THB Million
Target Companies' Shareholders' Equity (CPG Agribusiness)	1,626	7,588	622	2,902	3,802	17,740	6,703	31,275
Non-controlling Interest	52	243	11	49	123	575	187	875
Total Shareholders' Equity	1,678	7,831	632	2,951	3,926	18,315	6,891	32,149
Total Liabilities and Shareholders' Equity	7,505	35,014	9,380	43,763	13,016	60,726	16,529	77,117

Source: Financial Statement prepared by the Target Companies' management and reviewed by the External Auditor

Remark: Exchange rate of 4.6655 THB/RMB as at 3 September 2020 (Source: Bank of Thailand)

Financial Ratios

Unit: %

	2017	2018	2019	5M2020
Gross Profit Margin	12	(1)	23	45
Net Profit Margin	(8)	(15)	32	44
Return on Equity	(28)	(151)	82	44
Debt to Equity (Times)	3.5	13.8	2.3	1.4

Analysis of the Target Companies' Financial Position and Operating Results

Operating Performance

■ Income

Income of the Target Companies have grown steadily, with an average growth rate in 2017 – 5M2020 of 35%, as a result of the outbreak of African Swine Fever in 2018 – 2019 which caused the demand of swine to severely curtailed and later led to a continuous increase in swine price.

■ Gross Profit Margin

The gross profit margin of the Target Companies for 2017 – 5M2020 equated to 12%, (1%), 23% and 45%, respectively. The negative figure in 2018 was due to the African swine fever epidemic in the People's Republic of China, which caused a reduction in pork consumption and swine price to plunge. With the swine production capacity reduced markedly and the output waned fast, the swine price surged upwards. As such, the gross profit margin for 5M2020 rocketed.



▪ **Net Profit Margin**

The net profit margin of the Target Companies for 2017 – 5M2020 amounted to (8%), (15%), 32% and 44%, respectively. With the reduction in swine prices in 2017 – 2018, a negative net change in fair value of biological assets was recorded in the Income Statement, which resulted in reporting losses in those years. Nonetheless, the sharp increase in net profits in 2019 and 5M2020 were due to the uninterrupted rise in swine prices, resulted in the Target Companies to profit from sales of swine at high prices together with a positive net change in fair value of biological assets recorded in the Income Statement.

Financial Position

▪ **Assets**

In 2017 – 5M2020 total assets were reported at RMB 7,505 million, RMB 9,380 million, RMB 13,016 million, and RMB 16,529 million, respectively. The increase was due to the rise of trade account receivables, in line with the growing sales figure. In addition, given swine are stated at fair value, hence, with the sharp rise in swine market price, the value of swine increased in 2019 and 5M2020.

▪ **Liabilities**

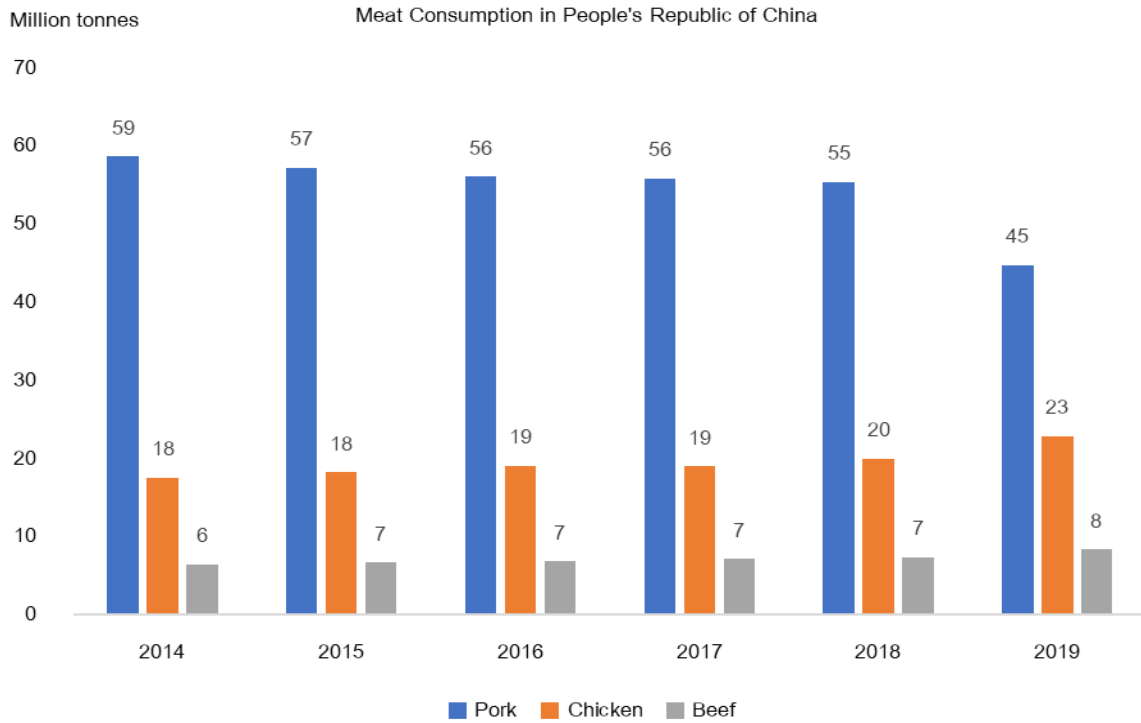
Total liabilities in 2017 – 5M2020 were RMB 5,827 million, RMB 8,748 million, RMB 9,091 million, and RMB 9,638 million, respectively. The spike in 2018 was contributed from the increased in trade account payables and lease liabilities, consistent with the increased in rights of use from expansion.

▪ **Shareholders' Equity**

Total shareholders' equity in 2017 – 5M2020 were RMB 1,678 million, RMB 632 million, RMB 3,926 million, and RMB 6,891 million, respectively. The figure dwindled in 2018 following the net operating loss, despite an increase in the paid-up capital of RMB 366 million, with the main blame on the plummeted swine price. Nonetheless, the swine price shot up in 2019 – 5M2020, resulted in an increase in Shareholders' Equity as per the swine market price.

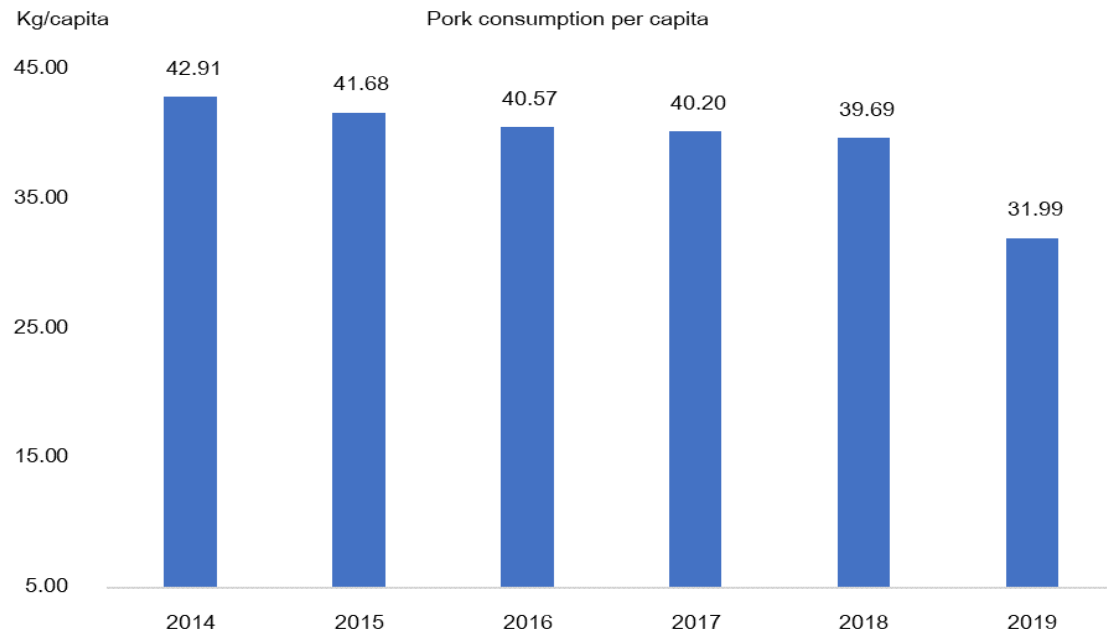
Swine Farms Industry in the People's Republic of China

Swine farm business is considered as one of the core businesses of the People's Republic of China with the population mainly consumed pork. Data from 2014 – 2018 illustrated that pork consumption accounted for approximately 70% of total meat consumption. However, this proportion dropped to 59% after the outbreak of the African swine fever, which resulted in drastic reduction in swine production capacity and consequently a rise in pork price. Hence, people turned to other alternative meat.



Source: Organization for Economic Co-operation and Development (OECD)

The ratio of an average pork consumption among Chinese population in 2014 – 2018 was approximately 41 kg per capita. However, following the African swine fever, the portion reduced to 32 kg per capita.



Source: Organization for Economic Co-operation and Development (OECD) and National Bureau of Statistics of China

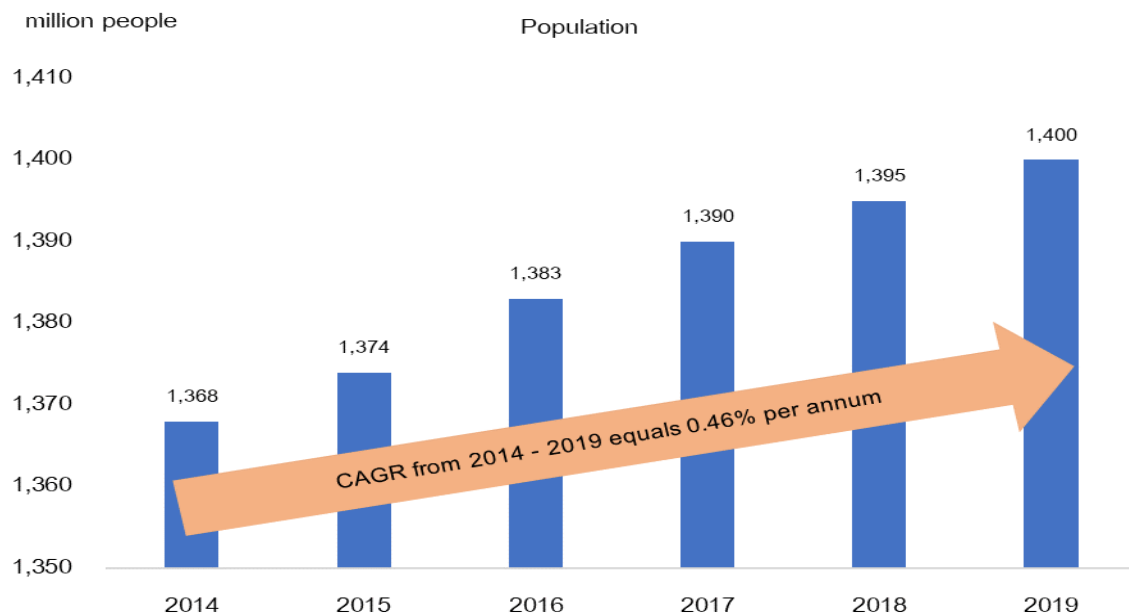


Source: Organization for Economic Co-operation and Development (OECD) and National Bureau of Statistics of China

Factors affecting food demand in the People’s Republic of China

Population growth in China

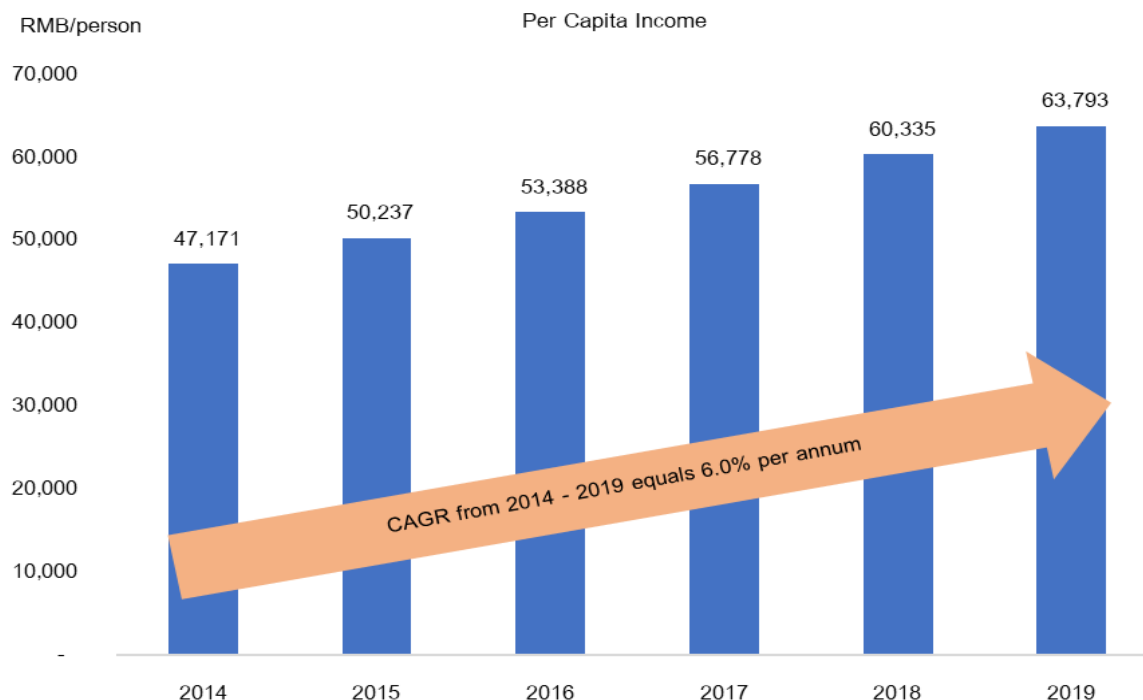
People’s Republic of China is the world’s most populous country with a total population of 1,400 million people in 2019, increased on 1,368 million people in 2014, accounted for an average annual growth rate of 0.46%. The rising population resulted in an increase in the need for food consumption.



Source: National Bureau of Statistics of China

Income per capita growth resulted in an increase in purchasing power

Per capita income of the People's Republic of China rose from the economic expansion, resulted in the increased in Chinese's standard of living. Moreover, the average per annum growth of 6.2% from 2014 – 2019 in the Gross Domestic Product (GPD) per capita led to an increase in population's purchasing power as well as the ability to purchase higher quality products.



Source: World Bank

Factors affecting demand in People's Republic of China

Outbreak of African swine fever

The consequences of the outbreak of African swine fever in the People's Republic of China during the late 2018 led to a dramatic fall in the swine population in the People's Republic of China. The newborn piglets required 6 – 8 months of weaning and nurturing phase, which brought about insufficient supply for domestic demand.

Increased in swine farms operating costs

Swine farm operators incurred additional costs in order to prevent contagion such as vaccination, cleaning and disinfection of swine farm, and farm area improvement, together with provide transportation of swine to slaughterhouse services. Such increased in operating cost hindered various small swine farm operators in the People's Republic of China to continue operations due to operation losses, insufficient funding sources, and lack of effective farm management knowledge.



3.6 Information on Chia Tai Investment Co., Ltd. (“CTI”)

Nature of Business

CTI is a registered company in the People’s Republic of China and is an indirect owned subsidiary of CPF through CPP, CPF’s indirect CPF’s subsidiary. CPP is an investment holding company listed on the Main Board of the Stock Exchange of Hong Kong Limited. CTI operates as an investment company, investing in 93 companies in the People’s Republic of China. Primarily, CTI produces and sells animal feed, located in 29 counties in the People’s Republic of China including, Beijing, Hubei, Inner Mongolia, Sichuan, Chongqing, Jiangsu, Liaoning, Anhui, Fujian, Gansu, Guangdong, Guangxi, Guizhou, Henan, Hebei, Hunan, Jilin, Jiangxi Shaanxi, Shanxi, Shandong, Yunnan, Ningxia Hui Autonomous Region, Zhejiang Qinghai, Hainan, Heilongjiang, Tianjin and Xinjiang Uygur Autonomous Region, in which CTI has a stake in the animal feed production and distribution companies ranging from 25.4% - 100.0%.

Operating Performance for the Period Ended 6M2020 and Financial Position as at 30 June 2020 (in Summary)

Items	CTI		CPF	Approximate proportion of CTI's ¹ Financial Information compared to CPF.
	RMB Million	THB Million ²	THB Million	%
Income	14,608	68,152	281,940	24.2
Gross Profit	2,092	9,759	51,397	19.0
Net Profit	675	3,151	17,766	17.7
Total Assets	16,638	77,622	751,319	10.3
Total Liabilities	9,889	46,184	511,910	9.0
Shareholder’s Equity	6,076	28,348	184,511	

Source: Financial Statement prepared by the Target Companies’ management and reviewed by the External Auditor

Remark: ¹ Related parties’ transaction among CPF group have not been eliminated

² Exchange rates of 4.6655 THB/RMB as at 3 September 2020 (Source: Bank of Thailand)

CTI’s Board of Directors

1. Mr. Soopakij Chearavanont (also sit as CPF’s Board of Director)
2. Mr. Yang Xiaoping
3. Mr. Xie Yi
4. Mr. Bai Shanlin (also sit as CPP’s Board of Director)
5. Mr. Zhou Yongshun
6. Mr. Huo Er-Feng
7. Mr. Paisan Youngsomboon



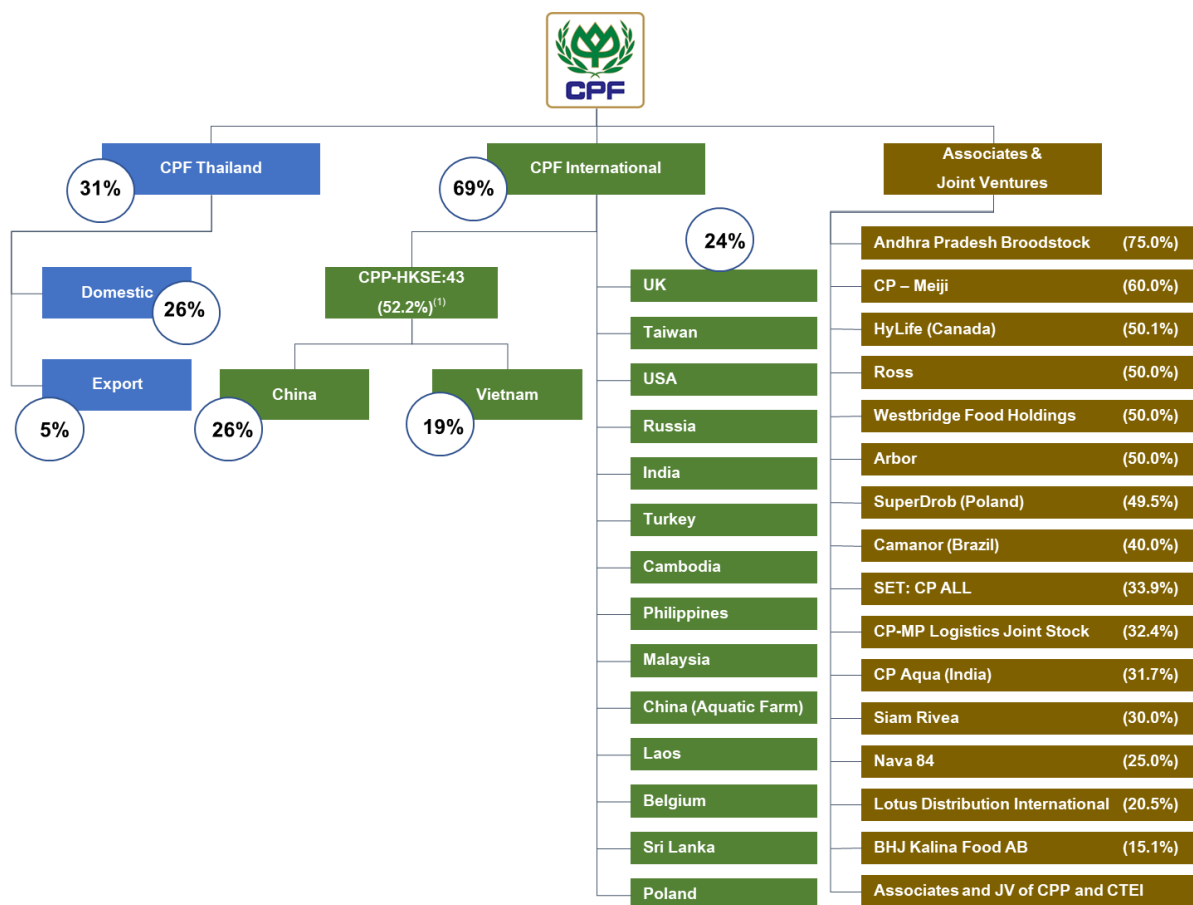
4. Summary of CPF

Nature of Business

The Company group operates vertically integrated agro-industrial and food businesses, comprising of 3 businesses as follows:

- 1) **Feed Business:** Feed manufacturing and distribution
- 2) **Farm Business:** Animal breeding, animal farming, and primary processing
- 3) **Food Business:** Production of semi-cooked and cooked meat products, ready meal products, and food distribution channels, including restaurants

The scope of the business of the Group is as follows:

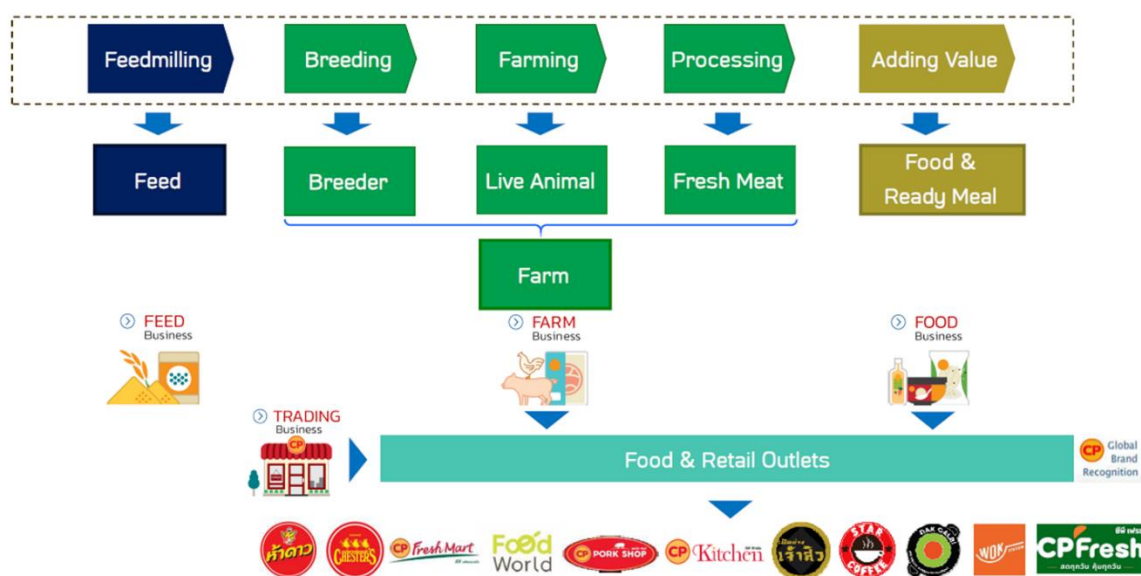


⁽¹⁾ Include both direct and indirect shareholding proportion

The Company group divide its business into 2 business scopes as follows:

1. **Thailand Operation** focuses on vertically integrated agro-industrial and food businesses for domestic distribution and export of meat, processed meat, and ready meal products to over 30 countries across 5 continents globally. Thailand operation covers livestock and aquatic animals including swine, broilers, layers, ducks, shrimp, and fish. The integrated food process involves started from feed milling, breeding, farming, processing, producing semi-cooked and cooked meat, ready meal products as well as food distributing and retail outlets under various brands


Vertically Integrated Business in Thailand



2. **International Operation** focuses on agro-industrial and food businesses in 16 countries outside of Thailand, namely China, Vietnam, United Kingdom, India, United States of America, Cambodia, Russia, Turkey, the Philippines, Malaysia, Laos PDR, Belgium, Sri Lanka, Poland, Brazil, and Canada. The Company group's product comprising of 3 types as follows:

2.1. Animal feed

2.2. **Farm** including animal breeds, live animals, and products from live animals and primary processed meat

2.3. **Food** including semi-cooked and cooked meat products, ready meal products under  brand and other brands under the Company group and client

For 6M2020, Thailand operation contributed 31% of total income, where International operation attributed 69% of total income.

CPF Income Structure

	2017		2018		2019		6M2020	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
1. Thailand Operation	178,403	34	178,680	32	175,966	32	87,419	31
1.1 Domestic	147,894	28	149,651	27	143,910	27	73,512	26
Feed Business	50,502	10	49,527	9	38,427	7	18,880	7
Farm Business	73,946	14	76,346	14	81,371	15	43,497	15
Food Business	23,446	4	23,778	4	24,112	5	11,135	4
1.2 Export	30,509	6	29,029	5	32,056	6	13,907	5
Feed Business	182	0	67	0	75	0	14	0
Farm Business	8,531	2	7,472	1	8,038	1	4,140	1
Food Business	21,796	4	21,490	4	23,943	4	9,753	3
2. International Operation	323,104	63	363,257	65	356,607	65	194,521	68
2.1 People's Republic of China	124,370	24	142,978	26	129,457	24	74,948	26
Feed Business	109,523	21	117,151	21	98,189	18	56,723	20
Farm Business	5,878	1	18,613	3	22,139	4	13,822	5
Food Business	8,969	2	7,214	1	9,129	2	4,403	2
2.2 Vietnam	64,820	13	81,775	15	85,390	16	52,490	18
Feed Business	28,260	5	27,639	5	27,552	5	13,740	5
Farm Business	34,542	7	51,834	9	54,759	10	36,748	13
Food Business	2,018	0	2,302	0	3,079	1	2,002	1
2.3 Others	133,914	26	138,504	25	141,760	26	67,083	23
Feed Business	37,049	7	35,155	6	35,624	7	16,377	6
Farm Business	61,133	12	67,269	12	69,634	13	32,701	11
Food Business	35,732	7	36,080	6	36,502	7	18,005	6
Total Sales	501,507	97	541,937	98	532,573	98	281,940	99
Other Income	13,690	3	13,566	2	12,302	2	3,812	1
Total Income	515,197	100	555,503	100	544,875	100	285,752	100

Shareholders Structure

Registered Capital

As of 30 June 2020, CPF has paid-up capital of THB 8,611 million, composed of 8,611 million common shares with a par value of THB 1.0 per share.



Major Shareholders

Top 10 major shareholders of CPF as of the book closing date on 31 August 2020 are as follows:

	รายชื่อผู้ถือหุ้น	จำนวนหุ้น	สัดส่วนการถือหุ้น
1	CPG Group ⁽¹⁾ comprises of	4,556,260,804	52.9%
	1.1 CPG ⁽²⁾	2,189,815,835	25.4%
	1.2 Jumbo Kingdom Ventures Limited ⁽³⁾	920,843,330	10.7%
	1.3 Charoen Pokphand Holding Co., Ltd. ⁽⁴⁾	743,660,460	8.6%
	1.4 Orient Success International Limited ⁽³⁾	120,814,159	1.4%
	1.5 Worth Access Trading Limited ⁽³⁾	117,342,300	1.4%
	1.6 Creative Light Investments Limited ⁽³⁾	38,000,000	0.4%
	1.7 CPF (Thailand) Plc. ⁽⁵⁾	191,522,720	2.2%
	1.8 Bangkok Produce Merchandising Plc. ⁽⁶⁾	99,462,000	1.2%
	1.9 Plenty Type Ltd. ⁽⁷⁾	76,800,000	1.0%
	1.10 CP Foods Capital Ltd. ⁽⁷⁾	58,000,000	0.7%
2	Thai NVDR Co., Ltd. ⁽⁸⁾	680,014,552	7.9%
3	Social Security Office ⁽⁹⁾	302,645,000	3.5%
4	STATE STREET EUROPE LIMITED ⁽⁹⁾	213,654,193	2.5%
5	GIC PRIVATE LIMITED ⁽¹⁰⁾	181,510,870	2.1%
6	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED ⁽¹¹⁾	136,242,752	1.6%
7	Mr. Prinya Tieworn	71,000,000	0.8%
8	Vayupak Fund	48,298,200	0.6%
9	MORGAN STANLEY & CO. INTERNATIONAL PLC ⁽¹²⁾	47,714,000	0.6%
10	Krungsri Dividend Stock LTF ⁽¹³⁾	42,655,800	0.5%

Remark: CPG Group is not a shareholder of shareholder No.2-6 and shareholder No.8-10

⁽¹⁾ CPG Group is a reporting group to be in compliance with Section 246 and Section 247 of the Securities and Exchange Act of 2535 (including any amendment thereto)

⁽²⁾ Engaging in investment business as well as importing and distribution of chemical products and providing technical services. (Please see list of CPG's top 10 shareholders in Section 3.5, Summary of Acquired Assets)

⁽³⁾ CPG's indirect subsidiary, engaging in investment business

⁽⁴⁾ CPG's indirect subsidiary, engaging in investment business

⁽⁵⁾ CPF's direct subsidiary, engaging in agro-industrial and integrated food business

⁽⁶⁾ CPF's direct subsidiary, engaging in animal feed raw material distribution

⁽⁷⁾ CPF's indirect subsidiary, engaging in investment business



- ⁽⁸⁾ A Thai company, contact information: 62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Dindaeng, Bangkok 10400
- ⁽⁹⁾ A Thai government department, contact information: Siam Commercial Bank Plc., Markets Operations Division, 9 G Tower, 17th Floor, North Wing, Rama 9 Road, Huay Kwang, Bangkok 10310, Thailand
- ⁽¹⁰⁾ A foreign company, contact information: Standard Chartered Bank (Thai) Plc., Securities Services, Zone B, Sathorn Nakorn Tower, 14th Floor, North Sathorn Road, Silom, Bangkok 10500, Thailand
- ⁽¹¹⁾ A foreign fund, contact information: Kasikorn Bank Plc., Custodian Department, 19th Floor, Soi Rat Burana 27/1, Rat Burana Road, Bangkok 10140, Thailand
- ⁽¹²⁾ A foreign company, contact information: 968 HSBC Building, 5th Floor, Rama 4 Road, Bangrak, Bangkok 10500, Thailand
- ⁽¹³⁾ A Thai fund, contact information: Citibank Custodian, Citibank N.A., 399 Interchange 21 Tower, 12th Floor, Sukhumvit Road, Klongtoey Nua, Bangkok 10110, Thailand

Management

The Company's Board of Directors as of 21 August 2020 consisted of the following 15 directors:

	Board of Directors	Position
1	Mr. Soopakij Chearavanont	Chairman
2	Mr. Suphachai Chearavanont	Vice Chairman
3	Mr. Chingchai Lohawatanakul	Vice Chairman
4	Mr. Phongthep Chiaravanont	Vice Chairman
5	Mr. Adirek Sripratak	Vice Chairman
6	Mrs. Arunee Watcharananan	Director
7	Mr. Prasit Boondoungprasert	Director
8	Mr. Sujint Thammasart	Director
9	Mr. Siripong Arunrattana	Director
10	Mr. Paisan Chirakitchareern	Director
11	Mr. Vinai Vittavasgarnvej	Independent Director
12	Professor Dr. Pongsak Angkasith	Independent Director
13	Mr. Rungson Sriworasat	Independent Director
14	Pol. Gen. Phatcharavat Wongsuwan	Independent Director
15	Mrs. Vatchari Vimooktayon	Independent Director



Statements of Financial Position and Operating Performance

The IFA has analyzed the performance and financial position of CPF for the year of 2017 – 6M2020, which is the consolidated financial statements, audited by KPMG.

Operating Performance

Consolidated Income Statement of CPF	2017	2018	2019	6M2019	6M2020
Income					
Revenue from sale of goods	501,507	541,937	532,573	259,183	281,940
Gains on sale of investments	10,429	9,328	8,090	4,531	1,575
Interest income	937	918	1,038	524	456
Dividend income	97	93	124	86	78
Net foreign exchange gains	-	95	9	-	423
Gains on sale of investments	10,429	9,328	8,090	-	-
Other income	2,226	3,131	3,040	1,051	1,280
Total income	515,197	555,502	544,875	265,384	285,752
Expenses					
Cost of sale of goods	(441,422)	(476,228)	(456,269)	(222,898)	(230,543)
Distribution costs	(20,597)	(20,825)	(21,590)	(10,475)	(11,359)
Administrative expenses	(31,191)	(30,661)	(33,229)	(15,588)	(16,213)
Gains (Losses) on changes in fair value of biological assets	(57)	3,975	3,235	(1,307)	(800)
(Reversal of) Impairment Losses	-	(562)	(2,577)	-	(264)
Net foreign exchange losses	(21)	(203)	(10)	(187)	-
Finance cost on lease liabilities	-	-	-	(70)	(1,138)
Other finance costs	(11,743)	(11,703)	(13,785)	(6,811)	(7,019)
Total expenses	(505,031)	(536,209)	(524,225)	(257,336)	(267,334)
Share of profit of associates and joint ventures	7,983	8,343	8,893	4,218	4,263
Profit before income tax expense (income)	18,149	27,637	29,544	12,267	22,681
Income tax expense (income)	(251)	(6,212)	(5,446)	(1,859)	(4,915)
Profit for the period	17,898	21,425	24,098	10,408	17,766

Source: CPF's financial statements, audited and reviewed by KPMG.



Consolidated Financial Position of CPF

Consolidated Financial Position of CPF	2017	2018	2019	6M2020
Assets				
Cash and cash equivalents	22,972	31,478	32,094	90,923
Current investments	3,866	1,555	1,402	575
Accounts receivable - trade and others	36,134	40,749	33,118	34,239
Short-term loans to joint ventures	559	17	188	174
Inventories	55,118	59,632	60,987	64,944
Current biological assets	29,973	34,678	37,104	37,523
Derivative assets - current portion	-	-	-	550
Restricted deposits at financial institutions	818	1,134	863	584
Advance payments for purchase of goods	6,657	8,120	5,891	4,488
Prepaid expenses	2,111	2,156	1,947	2,009
Accrued dividend income	171	201	165	134
Other current assets	6,069	5,822	4,887	5,922
Total current assets	164,447	185,543	178,646	242,065
Investments in equity securities	7,487	5,799	5,326	12,203
Investments in associates	84,226	96,126	105,893	104,914
Investments in joint ventures	6,949	9,596	19,434	20,286
Long-term loan to associate	3	6	29	45
Investment properties	1,729	1,851	1,647	1,513
Property, plant and equipment	189,060	195,201	197,430	212,581
Rights of use of assets	7,870	8,302	8,520	37,633
Goodwill	99,522	95,428	87,762	89,007
Other intangible assets	16,485	16,212	14,405	14,644
Non-current biological assets	7,764	8,216	8,057	8,376
Deferred tax assets	4,727	3,384	3,156	2,935
Restricted deposits at financial institutions	3	2	3	27
Other non-current assets	3,225	2,426	3,743	5,091
Total non-current assets	429,050	442,548	455,405	509,254
Total assets	593,497	628,091	634,051	751,319
Current liabilities				
Bank overdrafts and short-term borrowings from financial institutions	68,077	61,312	72,204	86,047
Bills of exchange	35,946	32,244	21,818	39,997
Accounts payable - trade and others	34,837	35,459	32,184	27,265



Consolidated Financial Position of CPF	2017	2018	2019	6M2020
Accrued expenses	10,997	11,555	13,001	14,852
Current portion of long-term borrowings	25,251	27,128	42,404	47,944
Current portion of lease liabilities	-	-	323	4,089
Short-term borrowing from joint venture	418	661	657	758
Short-term borrowing from other company	-	-	-	10
Income tax payable	1,625	1,256	1,501	2,763
Derivative liabilities - current portion			-	218
Other current liabilities	13,467	12,597	13,617	13,759
Total current liabilities	190,618	182,212	197,711	237,701
Long-term borrowings	159,018	208,948	194,023	220,815
Lease liabilities	-	-	2,471	27,607
Deferred tax liabilities	9,985	9,088	7,882	9,768
Provision for employee benefits	5,766	5,966	9,596	10,677
Provisions and others	1,467	3,218	3,495	3,591
Derivative liabilities - non-current portion			-	1,751
Total non-current liabilities	176,237	227,220	217,467	274,209
Total liabilities	366,855	409,433	415,178	511,910
Shareholders' equity				
<i>Issued and paid-up share capital (ordinary shares, par value at Baht 1 per share)</i>	8,611	8,611	8,611	8,611
Share premium on ordinary shares	57,299	57,299	57,299	57,299
Others premium	3,470	3,470	3,470	3,470
Surplus from change in shareholders' equity in subsidiaries and associates	3,950	3,500	4,073	3,809
Surplus on common control transactions	(5)	(5)	(5)	(5)
Legal reserve	929	929	929	929
Unappropriated	82,116	92,079	103,579	109,341
Treasury shares	(2,909)	(2,909)	(2,909)	(5,070)
Other components of shareholders' equity	(445)	(12,441)	(21,772)	(8,874)
Total	153,015	150,533	153,275	169,511
Subordinated perpetual debentures	15,000	15,000	15,000	15,000
Total shareholders' equity attributable to equity holders of the Company	168,015	165,533	168,275	184,511
Non-controlling interests	58,627	53,125	50,597	54,898
Total shareholders' equity	226,642	218,658	218,872	239,409



Consolidated Financial Position of CPF	2017	2018	2019	6M2020
Total liabilities and shareholders' equity	593,497	628,091	634,051	751,319

Source: CPF's financial statements, audited and reviewed by KPMG.

Financial Ratios

Unit: %

	2017	2018	2019	6M2020
Gross Profit Margin	12	12	14	18
Net Profit Margin	3	4	4	6
Return on Equity (ROE)	8	10	11	13
Debt to Equity (D/E) (times)	1.6	1.9	1.9	2.1

Analysis of the CPF's Financial Position and Operating Results

Operating Performance

■ Income

CPF recorded operating income at an average growth of 3.5% during 2017 – 6M2020, with main contribution from International operation at the average of 5.5% for the same period, while the growth of income from Thailand operation decreased as a consequence of applying TFRS15 in 2019, whereby CPF will recognize sales revenue when the risks and rewards have been transferred to purchasers. As a result, the income from the sales of raw materials to the contracted farmers cannot be recognized as sales revenue, led to a decrease of FEED's income. Furthermore, CPF's key drivers are mainly derived from the food business, where the swine price increased significantly after a shortage of swine due to the African Swine Fever (ASF) outbreak.

■ Gross Profit Margin

Gross Profit Margin of CPF in 2017 – 2019 remained mostly stable at 12% – 14% and increased to 18% in 6M2020 from the continued increase in swine's price. Moreover, the COVID-19 outbreak in early 2020 also compounded the positive impact on the food business due to hoarding of semi-cooked and ready meal products.

■ Net Profit Margin

CPF's Net Profit Margin in 2017 – 2019 were stable at 3% – 4% and increased to 6% in 6M2020, in line with CPF's Gross Profit Margin.



Financial Position

■ **Assets**

Total assets in 2017 – 6M2020 were THB 593,497 million, THB 628,091 million, THB 634,051 million and THB 751,319 million, respectively. The increased in total assets followed the increased in Property, plant and equipment from investment expansion along with the record of rights of use of assets, according to the newly released accounting standard (TFRS16: Lease) in 2020. Additionally, the value of swine farm was adjusted higher following the upward market price in 2019 and 6M2020, resulted in higher CPF's assets.

■ **Liabilities**

Total liabilities in 2017 – 6M2020 were THB 366,855 million, THB 409,433 million, THB 415,178 million and THB 511,910 million, respectively. The rise in 6M2020 was due to the record of lease liabilities according to the newly released accounting standard (TFRS16: Lease) in 2020. Borrowing also increased to support business expansion, in line with the increased in rights of use of assets and property, plant and equipment.

■ **Shareholders' equity**

Total Shareholders' equity in 2017 – 6M2020 were THB 226,642 million, THB 218,658 million, THB 218,872 million and THB 239,409 million, respectively. The changes in Shareholders' equity were due to CPF's profit in each period and dividend payment to shareholders.

Market Situation and Industry Outlook

Global Situation and Swine Industry Outlook in 2019

In 2019, Office of Agricultural Economics forecasted that pork production was 114.59 million tons, increased by 1.44% from 2018, with the major producing countries being the People's Republic of China, the United States of America, Brazil and Russia. Pork's demand was anticipated to increase given continuously economic growth of the People's Republic of China and the United States of America. Although the People's Republic of China had the highest pork production yield, the outbreak of African Swine Fever had a negative impact on pork production and prices, which caused the expanded production rate to increase at a slower rate. Meanwhile, the European Union expected a slightly decline in production as a result of lower pork prices and higher swine feed costs.

Thailand Situation

In 2019, Office of Agricultural Economics forecasted that the swine production was 19.99 million swine, increased slightly by 0.55% from 2018 according to an increase in population, which led to higher domestic



consumption. In addition, farmers adopted efficient swine farm management and epidemic prevention, resulted in higher production, whereby the pork consumption in 2019 was expected to increase by 0.69% from 2018.

Meanwhile, the price of swine sold by farmers in 2019 was expected to resemble that in 2018 as production volumes continued to increase despite the rise in swine price. Moreover, the export volume remained unchanged and exported prices of slaughtered pork and processed pork were expected to be in similar manner with 2018.

Factors Affecting Production

- **Epidemics:** Although swine farm management and epidemic prevention became more efficient yet there are still risk factors for swine epidemics such as Porcine Epidemic Diarrhea (PED) and Porcine Reproductive and Respiratory Syndrome (PRRS). Prevention of such epidemic resulted in higher operation costs.
- **Economic Situation:** Economic situation posed as a critical factor impacting the consumption and exportation of swine. The Office of Agricultural Economics forecasted that in 2019 the growth rate of the Thai economy continued to slowdown in conformity with the world economy, which affected the purchasing power of domestic consumers.
- **Fluctuation of feed prices:** Swine feed cost generally accounted for 60 – 70% of total production cost. Therefore, the fluctuation of feed price will have a direct impact on production costs.



5. Opinion of the Independent Financial Advisor on the Transaction

5.1 Comparison of advantages and disadvantages of entering into the transaction and not entering into the transaction

Advantages of Entering into the Transaction

Integrated business

Entering into this transaction creates an opportunity to penetrate into the swine market in the People's Republic of China. As a result, the Company group will be able to achieve vertically integrated business, from the feed milling, swine farming, swine slaughtering and processing.

Improve operating performance from the recognition of the promising Target Companies' operation

Entering into this transaction will result in an improved performance of the Company group in the People's Republic of China owing to the performance of the Target Companies is anticipated to heighten from higher swine price following a shortage of swine in the People's Republic of China after an outbreak of African swine fever in 2018 – 2019. Additionally, pork consumption among the Chinese remained high.

Lower operational risks as the market and production capacity expansion plan are consistent between the Animal Feeds Business and the Target Companies

Following this transaction, CTI is able to plan to expand the feed plant in line with the expansion of the swine farm, such as building a feed plant in the area proximate to the swine farm to reduce feed transportation cost. In addition, the CTI can gain in-depth information on trend volume of exact feed demand and desired feed formulations from swine farm, leading to lower operational risks.

Efficiency in financial liquidity management

After entering into the transaction, there will be a centralized management of the feed manufacturing and distribution business together with the Target Companies that will help CTI to efficiently manage financial liquidity. Alternatively stated, CTI will be able to manage business with excess cash flow to provide financial support to other businesses or to pay dividend to CTI, thus CTI could provide financial support to other businesses. Such liquidity management will reduce borrowing from financial institutions, resulting in lower financial costs of the group.

No financial cost burden from a non-cash transaction

The consideration will be settled by shares issuance of 2,703,169,902 shares by CTI at RMB 10.4 per shares (approximately THB 48.5 per shares), total of RMB 28,140.0 million (approximately THB 131,287.2 million). Settlement with CTI's newly issued shares resulted in CTI's ability to maintain financial liquidity without bearing



financial cost at approximately RMB 1,238.2 million¹ per year and no negative impact on the Company group's operating results.

Eliminate conflict of interests with CPG by integrating the operation of the Animal Feeds Business and the Target Companies

Although entering into this transaction may not be able to eliminate conflict of interest in term of shareholding structure with CPG, as CPG remained a major shareholder of both CPF and CTI. However, this transaction will integrate the manufacturing and distribution of feed business and Target Companies under the operation of CTI, hence removing any conflicts of interest between the Company group and CPG in operating businesses mentioned above. The business management policy post transaction will be for the mutual benefit of both FEED and FARM, whereby the independent directors of both CPF (5 out of 15) and CPP (5 out of 15 in which 3 of CPP's independent directors sit as independent directors of CPF and CPP) will be responsible for overseeing the aforementioned policy to protect the interests of the minority shareholders of both CPF and CPP. Additionally, CPG has no intention to change CTI's directors and managements. Moreover, the regulations that govern the listed companies both in the Stock Exchange of Thailand and the Hong Kong Stock Exchange Limited also supported and ensured the transparency and fairness in conducting the current and future potential connected transactions. However, in relation to the connected transactions, the vested interest shareholders and board of directors will be ineligible to cast a vote.

Disadvantages of Entering into the Transaction

The Company group lost control in CTI according to Financial Reporting Standards

After entering into the transaction, the Company group's indirect shareholding in CTI will decrease from 49.7% to 17.4% (or from 52.2% to 18.3% in the case of fully exercising the rights to convert CPP preferred stocks to common stocks) of total voting rights. In accordance with Financial Reporting Standards No. 10 on the Consolidated financial statement, the decreased of shareholding is considered as a loss of control in the subsidiary, although CPF will continue to provide CTI's business direction and strategy through representative in the Board of Directors. As a result, CPF is unable to consolidate the performance and financial position of CTI in its consolidated financial statement. Instead, such item will be shown in the form of profit sharing from investments in associates, in accordance with the equity method in the CPF income statement. However, the IFA believed that CPF will gain long term benefits from the Target Companies' operating interest.

Considering CTI's net profit and the Target Companies at amount of RMB 991 million and RMB 3,223 million, respectively, CPF has a post transaction interests of approximately RMB 733.2 million ((RMB 991 million + RMB 3,223 million) multiplied by shareholding portion at 17.4%) compared to CPF's interest prior to the

¹ Calculate from the latest averaged interest at 4.4%



transaction of RMB 492.5 million (RMB 991 million multiply by shareholding portion at 49.7%), the gains that CPF will benefit from this transaction is approximately RMB 240.7 million.

CPG has control over the feed manufacturing and distribution business and Target Companies

CPG will become CTI's indirect major shareholder with 74.3% shareholding (or 74.8% in case of fully exercising the right to convert CPP preferred stocks to common stocks) of total voting rights. As a result, CPG has control over both the feed manufacturing and distribution business and the Target Companies in the People's Republic of China.

The accounting effect by recognize CTI's performance as profit (loss) from investment rather than consolidated financial statement

Entering into this transaction, the Company group will have no control over CTI as its indirect shareholding in CTI will drop to 17.4% (or 18.3% in case of fully exercising the right to convert the CPP preferred stocks to common stock) of the total voting rights. As a consequence, CTI will not be an indirect subsidiary of CPF. Therefore, CTI's financial statement (including the target companies' financial performance, which will be included in CTI's financial statement) will not be consolidated in CPP's and the Company's financial statements, which may result in a decreased income and gross profit.

In 2019, CPF recorded CTI's performance through consolidated financial statement, which CTI's income and gross profit are RMB 24,861 million and RMB 3,641 million, respectively. After entering into the transaction, CPF will recognize CTI's performance using equity method. Considering the performance in 2019, CPF will recognize only profit or loss from CTI in proportion to CTI's shareholding at 17.4%, therefore CPF's income and gross profit will be reduced approximately equal to CTI's income and profit. While CPF's consolidated financial position will deduct CTI's assets and liabilities and presented investments in CTI through the investment account, adjusted with the CTI's share of profit or loss.

Advantages of Not Entering into the Transaction

The Company group will not lose control over CTI

If not entering this transaction, the Company group will maintain its indirect shareholding in CTI at 49.7% (or 52.2% in case of fully exercising the right to convert CPP preferred stocks to common stocks) and will continue to have control over CTI.

The Company group will have no risks associated with the Target Companies

Not entering this transaction, the Company group will not be adversely affected if the performance of the Target Companies is not as expected.



Disadvantages of Not Entering into the Transaction

Losing the opportunity to enter into a swine farm business

Not entering into this transaction may cause the Company group to miss the opportunity to enter into a growing business and unable to gain benefit from good performance of swine farm business.

Operating result may not have significant growth rate

Without entering this transaction, CTI will only recognize the operating performance of the feed manufacturing and distribution business that may have a slight growth rate as in the past and unable to recognize the performance from the Target Companies that are forecasted to have higher growth rate.

Losing the opportunity to diversify investment risks

Without entering this transaction, CTI will still be at risk of relying on the performance of the feed manufacturing and distribution business in the People's Republic of China and will lose the opportunity to diversify the risk from investing in the Target Companies.

5.2 Comparison of advantages and disadvantages between entering into the transaction with connected person and other third parties

Advantages of Entering into a Transaction with Connected Persons

Able to invest in many swine farm businesses at once

According to the capability of sellers group that have efficient swine farms and able to raise qualified swine, CTI will be able to invest in 43 farms at one time.

Promptness in negotiations and actions related to the transaction.

Due to CPF and the sellers group have a common major shareholder, negotiations and related actions can be done smoothly and promptly.

Having the common major shareholder, results in the aligned management direction

As a consequence of having common major shareholder between CPF and the sellers' group, business concepts, management guidelines and corporate culture are in the same direction.

Gaining benefit from experts in managing large swine farms

The sellers group has the knowledge and ability to manage large swine farms in many different fields in the People's Republic of China, which provides benefit to the Company group in term of farm managing expertise.



Disadvantages of Entering into a Transaction with Connected Persons

There may be a conflict of interest in prices negotiation and other conditions

As CPF is the major shareholder of both the Company group and the Sellers group, it may cause an unfair on prices negotiation and other conditions, compared with other third parties. CTI may acquire the Target Companies for a higher price than market price, resulting in losing indirect shareholding in CTI more than it should have been. However, CPF has measures to control conflict of interest as follows:

- Approval of transactions that may lead to conflict of interest are required to be approved by the Board of Directors and reviewed by the Audit Committee.
- Any vested interest directors will not attend the meeting and will not have the right to vote on that agenda.
- Arranging a commercial agreement with general commercial terms as if the transactions are done with third parties.

Having expenses and disclosure obligations in accordance with the connected transaction criteria

Given a connected transaction, CPF and CPP, which are listed companies, are obligated to prepare and disclose information to the Stock Exchange of Thailand (SET) and the Hong Kong Stock Exchange Limited (HKEX), respectively. In addition, there is also an expense for hiring an independent financial advisor in order to provide opinions on this transaction and expense in arranging the shareholders' meeting to approve the transaction.

Advantages of Entering into a Transaction with Outsider

There is no conflict of interest in prices negotiation and other conditions

Price and terms and conditions negotiation for entering into a transaction with outsiders will be fair for both parties as conflict of interests is not present.

There is no burden of expenses and disclosure obligations in accordance with the connected transaction criteria.

As it is not a connected transaction, CPF and CPP will neither incur any expenses nor have disclosure obligations in accordance with the connected transaction criteria.

Disadvantages of Entering into a Transaction with Outsider

Time consuming in negotiation and proceed to enter into the transaction

It will be time consuming for CTI to negotiate with many swine farms and require more time to verify the accuracy of business, accounting and legal information than acquire business from connected party which may result in a loss of investment opportunity in an outstanding business.



Financial cost burden from entering the transaction.

CTI may be unable to pay for Target Companies acquisition with CTI's newly issued shares if it enters into a transaction with a third party. Additionally, cash payment for Target Companies will incur financial cost and may affect to CTI's liquidity.

Not gaining benefit from experts in managing large swine farms

In case the seller is a third party, CTI may not gain benefit from farm management expertise as the seller may not willing to transfer knowledge to CTI. In additional, the purchased swine farm may not be large enough to have an expert in farm management, compared with the seller group.

5.3 Risks from Entering into the Transaction

Risk from unapproved transaction from shareholders' meeting of CPP and CPF

If this transaction is not approved by the shareholders' meeting of CPF or CPP, the Company group will lose investment opportunity in growing Target Companies and has expenses related to entering into the transaction that has been initially undertaken, such as the independent financial advisor fee, legal advisor fee, Audit and accounting fees for Target Companies, etc.

Risk from unexpected swine farm performance

As the swine farm business depends on both internal and external factors such as changes in supply and demand of pork consumption in the People's Republic of China, changes in weather, swine epidemic, swine price, also changes in prices and supply of raw materials in feed manufacturing and etc., which may have a direct impact on operating result and the profitability of CPF in the future if the swine farm performance is not as expected.

6. Appropriateness of price and conditions of the transaction

6.1 Appropriateness of price – Target Companies

6.1.1 Book Value Approach

As of May 31, 2020	Amount
Total shareholders' equity - Controlling (RMB Million)	6,703
Exchange rate as of Sep 3, 2020 (RMB: THB)	4.6655
Total shareholders' equity - Controlling (THB Million)	31,275

6.1.2 Adjusted Book Value Approach

As of May 31, 2020	Amount
Total shareholders' equity - Controlling (RMB Million)	6,703
Deduct: Dividend to be paid (as specified in SPA)	(1,411)
Total shareholders' equity - Controlling (RMB Million)	5,293
Exchange rate as of Sep 3, 2020 (RMB: THB)	4.6655
Total shareholders' equity - Controlling (THB Million)	24,694

6.1.3 Market Comparable Approach

1) Price-to-Adjusted Book Value Approach or P/ABV Ratio

Peers comparison between listed companies in the Republic of China and Target Companies	Nature of business	Income (RMB Million)	Profit (RMB Million)	P/ABV (times)
Jiangxi Zhengbang Technology Co.Ltd.	Manufacturer and distributor of animal feed for livestock, poultry farm, premix feed, feed additives, and engages in aquaculture and swine farm businesses.	26,459	2,967	4.3
Muyuan Foodstuff Co., Ltd.	Engaging in swine farm business and distribute swine products and animal feed.	25,243	10,787	7.1
Tecon Biology Co., Ltd.	Livestock farm business, manufacturing and distribution of animal feeds, feed additives and agricultural products.	8,255	950	2.9
Averaged P/ABV				4.8
Shareholders' equity – Controlling as of May 31,2020 (RMB Million)				5,293
Target Companies value according to P/ABV (RMB Million)				25,201
Exchange rate as of Sep 3, 2020 (RMB: THB)				4.6655
Target Companies value according to P/ABV (THB Million)				117,575

Note - Comparable company data from Bloomberg as of 20 August 2020



2) Price-to-Earnings Approach or P/E Ratio

Peers comparison between listed companies in the Republic of China and Target Companies	Nature of business	Income (RMB Million)	Profit (RMB Million)	P/E
Jiangxi Zhengbang Technology Co.Ltd.	Manufacturer and distributor of animal feed for livestock, poultry farm, premix feed, feed additives, and engages in aquaculture and swine farm businesses.	26,459	2,967	15.8
Muyuan Foodstuff Co., Ltd.	Engaging in swine farm business and distribute swine products and animal feed.	25,243	10,787	26.9
Tecon Biology Co., Ltd.	Livestock farm business, manufacturing and distribution of animal feeds, feed additives and agricultural products.	8,255	950	17.0
Averaged P/E				19.9
Target Companies' Net Profit (June 2019 – May 2020) (RMB Million)				5,700
Target Companies' value according to P/E (RMB Million)				113,571
Exchange rate as of Sep 3, 2020 (RMB: THB)				4.6655
Target Companies' value according to P/E (THB Million)				529,864

Note - Comparable company data from Bloomberg as of 20 August 2020

3) Enterprise Value per EBITDA Approach or EV/EBITDA Ratio

It was not taken into account because the EBITDA of comparable companies during 2020 could not be obtained.



6.1.4 Discounted Cash Flow Approach or DCF

IFA calculated the shareholders' equity value of the Target Companies and prepared a 10 years financial projection by analyzing data from the trial balance for the past 3 years (2017-2019) and the 5 months data ended 31 May 2020, which based on the financial statements prepared by Target Companies' management along with information obtained from management's interview.

IFA determined the key assumptions by analyzing information according to current conditions, which aligned with the future business plan of Target Companies and mostly referred to historical financial ratios, can be summarized as follows.

1) **Key assumptions for preparing financial projections**

1.1. Sales Revenue

Most of Target Companies' sales revenue is from the swine farming business, which accounts for about 85% and the slaughtering business, accounts for 15%. Moreover, the slaughterhouse receives swine from both within the Company group and outside in any area that slaughterhouse is located.

Estimated sales revenue depends on sales volume growth, refer to the consumption growth in the People's Republic of China which is forecasted by the Ministry of Agriculture of PRC outlook 2020-2029 and seller distribution rate in the People's Republic of China, together with management's interview and effect of African swine fever in 2018 which had severe impact on small swine farming business who do not have adequate epidemic control and preventive systems, resulted in having to close business.

The consumption of pork between 2014 – 2018 accounted for about 70% of the total meat consumption. The impact of the African swine fever resulted in a higher demand than supply, which supported swine prices to rise significantly (from 20.0 RMB/Kg in September 2018 to 48.2 RMB/Kg in September 2020). The increased of swine prices resulted in higher capability of swine farm businesses that are able to handle higher cost to accelerate the expansion of production capacity to accommodate opportunities, which are expected to continue in the next few years.

In addition, the impact of African swine fever has also resulted in a continued decline in the Target Companies' swine numbers until 2019, as the number of swine, required at least 6 – 8 months. In 2020, the Target Companies has invested in around 300,000 sows to increase sales in the next year.

For slaughterhouse business in 2020, the Company group closed business in two locations due to the expiration of the lease agreements, resulted in lower production capacity. However, the Target Companies are currently building two slaughterhouses, which will be completed and

operated in 2021 and 2022, respectively, in accordance with their investment plan. Pork's selling price is referred from the Organization for Economic Co-operation and Development outlook 2020-2029 together with the management's view.

Swine Farm

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Growth rate of swines sold	-2%	5%	86%	41%	10%	0%	0%	0%	0%	0%	0%

Slaughterhouse

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Growth rate of swines slaughter	3%	-32%	135%	47%	23%	0%	0%	0%	0%	0%	0%

- 1.2. Gross Profit Margin referred to the average of past five years (2016 - 5M2020), the 5M2020 data, referred to higher swine's selling price from the situation of COVID-19. In the first two quarters of 2020, the People's Republic of China restricted swine transportation that the main costs were swine feeding, vaccine and labor costs.

	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income	5,821	6,470	10,139	18,430	19,992	27,830	27,981	30,199	30,199	30,199	30,199	30,199	30,199	30,199
Gross Profit (%)	12%	-2%	23%	40%	20%	20%	18%	18%	18%	18%	18%	18%	18%	18%

- 1.3. Selling expense, referred to averaged data of past three years (2017 – 2019), accounted for 2% of sales revenue. The main selling expenses are personnel related expenses and travel expenses which are related to sales activity.

	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Selling expense	(106)	(119)	(146)	(242)	(303)	(422)	(458)	(458)	(458)	(458)	(458)	(458)	(458)	(458)
% to Income	-2%	-2%	-1%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%

- 1.4. Administrative expense, referred to averaged data of past three years (2017 – 2019), accounting for 6% of sales revenue. The main administrative expense included personnel related expenses and travel expenses, which are related to administrative activity.

	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Administrative expense	(402)	(326)	(732)	(1,102)	(1,238)	(1,723)	(1,870)	(1,870)	(1,870)	(1,870)	(1,870)	(1,870)	(1,870)	(1,870)



Actual				Projection										
% to Income	-7%	-5%	-7%	-7%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%

1.5. Financial costs referred to the latest averaged borrowing interest rate of 8.5%, which reflected the latest financial position.

1.6. Tax rate of 0% due to the exemption, according to the Chinese government policy.

1.7. Working capital based on actual ratios for the past 3 years (2017-2019)

1.7.1. Accounts Receivable Collection Period 10 days

1.7.2. Inventory Turnover 14 days

1.7.3. Biological Asset Turnover 114 days

1.7.4. Accounts Payable Payment Period 159 days

1.8. CAPEX is an investment in assets to expand production capacity and maintenance assets. Referring to the expansion that has been approved by the Board of Directors.

Actual				Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CAPEX	(481)	(442)	(336)	(1,554)	(1,178)	(505)	(527)	(318)	(324)	(331)	(338)	(344)	(351)	(358)

1.9. Depreciation and Amortization of assets are based on the enterprise's depreciation and amortization policy. Assets have a useful life in the range of 5 - 34 years depends on the type of asset.

1.10. Minimum cash by estimating the ratio of cash on hand to total expenses incurred in the past at 5% of total expenses.

Financial Projection

Operating Performance

Actual				Projection										
(RMB Million)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income	5,821	6,470	10,139	18,430	19,992	27,830	30,199	30,199	30,199	30,199	30,199	30,199	30,199	30,199
Cost of goods sold	5,097	6,559	7,768	10,973	15,899	22,176	24,856	24,845	24,845	24,845	24,845	24,845	24,845	24,845
Gross Profit	723	(89)	2,371	7,456	4,093	5,654	5,343	5,353	5,353	5,353	5,353	5,353	5,353	5,353
Selling expense	106	119	146	242	303	422	458	458	458	458	458	458	458	458
Administrative expense	402	326	732	1,102	1,238	1,723	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870
Other Income	(22)	50	125	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of biological assets	(481)	(61)	2,217	-	-	-	-	-	-	-	-	-	-	-



(RMB Million)	Actual			Projection										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gain (Loss) on fair value of biological assets	(20)	16	(89)	-	-	-	-	-	-	-	-	-	-	-
Operating profit	(223)	(663)	3,673	6,747	2,552	3,509	3,015	3,025	3,025	3,025	3,025	3,025	3,025	3,025
Finance Cost	241	290	438	377	163	156	148	140	132	123	113	103	92	81
Share of profit of associates	-	(0)	(12)	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	(464)	(952)	3,223	6,374	2,388	3,353	2,866	2,885	2,893	2,903	2,912	2,922	2,933	2,944
Tax	0	0	0	0	-	-	-	-	-	-	-	-	-	-
Net Profit	(464)	(952)	3,223	6,374	2,388	3,353	2,866	2,885	2,893	2,903	2,912	2,922	2,933	2,944
Net Profit (%)	-8%	-15%	32%	35%	12%	12%	9%	10%	10%	10%	10%	10%	10%	10%

Financial Position

(RMB Million)	Actual		Projection										
	31 May 20	31 Dec20	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Cash	868	4,046	6,666	10,060	12,927	15,900	18,884	21,880	24,887	27,906	30,938	33,982	
Deposits under guarantee obligation	114	114	114	114	114	114	114	114	114	114	114	114	
Accounts receivable	802	498	540	752	816	816	816	816	816	816	816	816	
Loan to related parties	1,457	1,457	1,457	1,457	1,457	1,457	1,457	1,457	1,457	1,457	1,457	1,457	
Inventory and Biological assets	5,778	3,867	5,603	7,815	8,760	8,756	8,756	8,756	8,756	8,756	8,756	8,756	
Other current assets	525	525	525	525	525	525	525	525	525	525	525	525	
Total current assets	9,544	10,508	14,906	20,724	24,599	27,568	30,552	33,548	36,555	39,575	42,606	45,650	
Plant, equipment and right-of-use assets	6,097	6,763	7,461	7,459	7,450	7,215	6,968	6,711	6,441	6,159	5,866	5,560	
Non-current biological assets	748	1,649	1,218	1,682	1,849	1,848	1,848	1,848	1,848	1,848	1,848	1,848	
Other non-current assets	140	140	140	140	140	140	140	140	140	140	140	140	
Total non-current assets	6,985	8,552	8,819	9,281	9,439	9,202	8,956	8,698	8,429	8,147	7,853	7,547	
Total assets	16,529	19,060	23,725	30,005	34,038	36,771	39,508	42,246	44,984	47,722	50,459	53,197	
Short-term borrowing	1,336	-	-	-	-	-	-	-	-	-	-	-	
Accounts payable - trade and others	3,258	5,347	7,748	10,806	12,112	12,107	12,107	12,107	12,107	12,107	12,107	12,107	
Borrowing from related parties	606	606	606	606	606	606	606	606	606	606	606	606	
Other current liabilities	1,183	166	174	182	190	199	209	219	230	241	35	35	
Total current liabilities	6,383	6,120	8,528	11,594	12,909	12,913	12,922	12,933	12,943	12,955	12,748	12,748	
Long-term borrowing	680	-	-	-	-	-	-	-	-	-	-	-	
Non-current lease liabilities	2,557	2,673	2,542	2,402	2,255	2,098	1,933	1,758	1,573	1,377	1,389	1,182	
Other liabilities	19	19	19	19	19	19	19	19	19	19	19	19	
Total non-current liabilities	3,256	2,692	2,560	2,421	2,273	2,117	1,952	1,777	1,592	1,396	1,407	1,201	
Total liabilities	9,638	8,812	11,088	14,015	15,182	15,030	14,874	14,709	14,535	14,351	14,155	13,949	
Authorised share capital	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	
Retained earnings	3,099	6,363	8,685	11,944	14,730	17,534	20,346	23,168	25,998	28,839	31,690	34,552	
Non-controlling interests	187	281	348	442	522	603	684	765	846	928	1,010	1,092	
Total shareholders' equity	6,891	10,248	12,637	15,990	18,856	21,741	24,634	27,537	30,449	33,371	36,304	39,248	



Actual		Projection										
(RMB Million)	31 May 20	31 Dec20	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total liabilities and shareholders' equity	16,529	19,060	23,725	30,005	34,038	36,771	39,508	42,246	44,984	47,722	50,459	53,197

2) Terminal Value

Terminal Growth based on the historical inflation forecast of the People's Republic of China, the five-year average (2015 - 2019) is 2.0 percent per year which projected by the Ministry of Agriculture and Rural Affairs of the People's Republic of China.

3) Discount Rate

Weighted Average Cost of Capital according to the current capital structure of the Target Companies.

Risk-free Rate: Rf	3.3%	The China 15 Years Government Bond Yield
Market Return: Rm	11.4%	The averaged past 15 years of rate of return on investment in the Shenzhen Stock Exchange (SZSE).
Relevered Beta : β	1.0	The averaged market price's volatility of Swine farm companies, listed in SZSE whose income close to the Target Companies that has only 3 companies (refer to company list in 6.1.3 and 6.1.4), and adjusted by the Target Companies' debt to equity ratio.
D/E Ratio	0.8	D/E Ratio of Target Companies as of May 31, 2020
Cost of Equity	11.5%	Calculated according to the formula of $R_f + (\beta * (R_m - R_f))$
Cost of Debt – Weighted	8.5%	The latest averaged interest rate
Tax Rate	0%	Swine farm business is exempted from corporate income tax.
Cost of the borrowing after taxes	8.5%	Calculated according to the formula of $K_d * (1 - Tax)$
WACC	10.2%	Calculated according to the formula of $K_d * (1 - Tax) * (D/V) + K_e * (E/V)$

4) Discounted free cash flow

(RMB Million)	2020(7M)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EBIT *(1-Tax)	3,541	2,552	3,509	3,015	3,025	3,025	3,025	3,025	3,025	3,025	3,025
Depreciation and Amortization	243	480	507	536	553	571	589	607	626	645	664
Changes in working capital	2,573	1,053	171	131	(0)	0	-	-	-	-	-
CAPEX	(909)	(1,178)	(505)	(527)	(318)	(324)	(331)	(338)	(344)	(351)	(358)
FCFF	5,448	2,907	3,682	3,154	3,260	3,272	3,283	3,295	3,307	3,319	3,331
Terminal value											32,714
Total cash flow	5,448	2,907	3,682	3,154	3,260	3,272	3,283	3,295	3,307	3,319	36,046
Discount rate	0.95	0.86	0.78	0.71	0.64	0.58	0.53	0.48	0.44	0.39	0.36
Present value of cash flow	5,148	2,494	2,866	2,228	2,090	1,904	1,734	1,579	1,439	1,310	12,916



(RMB Million)	2020(7M)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total present value of cash flow	35,708										
Deduct: Accrued Dividend payable	(35)										
Deduct: Accrued Dividend payable (as specified in SPA)	(1,450)										
Deduct: Interest bearing debt	(4,891)										
Deduct: Related company receivables	(606)										
Add: Cash and fixed deposit	892										
Add: Loan to related company	1,457										
Shareholders' equity	31,075										
Shareholders' equity-Controlling	30,206										
Shareholders' equity-Minority interest	869										

5) Sensitivity analysis

IFA has analyzed the sensitivity of shareholders' equity value by adjusting the projected gross profit margin by 2% increase and decrease, based on the difference between management's and IFA's estimated gross profit margin as follows:

Cases	Worst case	Base case	Best case
Gross Profit Margin (%)	19%	21%	23%
Shareholders' equity-Controlling (RMB Million)	26,844	30,206	34,402
Shareholders' equity-Controlling (THB Million)	125,242	140,927	160,504

6.2 Appropriateness of price – Animal Feed Business

6.2.1. Book Value Approach

As of June 30, 2020	Amount
Total shareholders' equity - Controlling (RMB Million)	6,076
Exchange rate as of Sep 3, 2020 (RMB: THB)	4.6655
Total shareholders' equity - Controlling (THB Million)	28,348

6.2.2. Adjusted Book Value Approach

As of June 30, 2020	Amount
Total shareholders' equity - Controlling (RMB Million)	6,076

As of June 30, 2020	Amount
Deduct: Dividend to be paid (as specified in SPA)	(721)
Total shareholders' equity - Controlling (RMB Million) after adjustment	5,355
Exchange rate as of Sep 3, 2020 (RMB: THB)	4.6655
Total shareholders' equity - Controlling (THB Million)	24,982

6.2.3. Market Comparable Approach

1) Price-to-Adjusted Book Value Approach or P/ABV Ratio

Peers comparison between listed companies in the People's Republic of China and CTI	Nature of business	Income (RMB Million)	Profit (RMB Million)	P/ABV (times)
Beijing Dabeinong Technology Group Co., Ltd.	Manufacturer and distributor of animal feed, Concentrate Feed, Compound Feed, Paddy seed, Corn seed, and other, also produces animal drugs and chemicals for animal.	16,602	1,018	3.2
Liaoning Wellhope Agri-Tech JSC Ltd.	Manufacturer and distributor of animal feed for swine farm, poultry farm, ruminant farm and aquatic farm.	18,737	1,362	1.9
Jiangxi Zhengbang Technology Co.Ltd.	Manufacturer and distributor of animal feed for livestock, poultry farm, premix feed, feed additives and engages in aquaculture and swine farm businesses.	26,459	2,967	4.3
Tangrenshen Group Co., Ltd.	Engaging in swine farm, meat processing and distribution businesses, also produce and distribute animal feed and animal health products.	15,588	410	1.9
Averaged P/ABV				2.8
Shareholders' equity – Controlling as of June 30,2020 (RMB Million)				5,355
Value according to P/ABV (RMB Million)				15,083
Exchange rate as of Sep 3, 2020 (RMB: THB)				4.6655
Value according to P/ABV (THB Million)				70,368

Note - Comparable company data from Bloomberg as of August 20, 2020

2) Price-to-Earnings Approach or P/E Ratio

Peers comparison between listed companies in the People's Republic of China and CTI	Nature of business	Income (RMB Million)	Profit (RMB Million)	P/E
Beijing Dabeinong Technology Group Co., Ltd.	Manufacturer and distributor of animal feed, Concentrate Feed, Compound Feed, Paddy	16,602	1,018	37.4



Peers comparison between listed companies in the People's Republic of China and CTI	Nature of business	Income (RMB Million)	Profit (RMB Million)	P/E
	seed, Corn seed, and other, also produces animal drugs and chemicals for animal.			
Liaoning Wellhope Agri-Tech JSC Ltd.	Manufacturer and distributor of animal feed for swine farm, poultry farm, ruminant farm and aquatic farm.	18,737	1,362	9.8
Jiangxi Zhengbang Technology Co.Ltd.	Manufacturer and distributor of animal feed for livestock, poultry farm, premix feed, feed additives and engages in aquaculture and swine farm businesses.	26,459	2,967	15.8
Tangrenshen Group Co., Ltd.	Engaging in swine farm, meat processing and distribution businesses, also produce and distribute animal feed and animal health products.	15,588	410	19.8
Averaged P/E				20.7
CTI's Net Profit (June 2019 – May 2020) (RMB Million)				1,037
Value according to P/E (RMB Million)				21,499
Exchange rate as of Sep 3, 2020 (RMB: THB)				4.6655
Value according to P/E (THB Million)				100,302

Note - Comparable company data from Bloomberg as of August 20, 2020

3) Enterprise Value per EBITDA Approach or EV/EBITDA Ratio

It was not taken into account because the EBITDA of comparable companies during 2020 could not be obtained

6.2.4. Discounted Cash Flow Approach or DCF

IFA calculated the shareholders' equity value of CTI's feed manufacturing business and prepares a 10 years financial projection by analyzing data from draft Combined Statements for the year 2017-2019 and the 6-month period ended June 30, 2020 prepared by CTI management and reviewed by external auditor which received on September 16, 2020 and draft Combined Statements for the 5-month period ended May 31, 2020 prepared by CTI management, received on September 18, 2020 and other information that was gathered by CTI and obtained from CTI's management interview.

IFA determined the key assumptions by analyzing information according to CTI's current situation which in line with the future business plan of feed manufacturing business and mostly refer to historical financial ratios, can be summarized as follows.

1) Key assumptions for preparing financial projections

1.1. Sales Revenue

Sales revenue mostly from feed business, accounted for 91% and another 9% from food business. And 70% of the feed sales revenue, sell to external customers and another 30%, sell to swine farms which have CPG as shareholders (42 farms).

Estimated sales revenue depends on sales volume growth, refer to the feed consumption growth in the People's Republic of China which expected to have average annual growth at 2.2%, forecasted by the Ministry of Agriculture and Rural Affairs of the People's Republic of China over 10 years period (2019-2029) while the expected selling price will remain at 3,354 RMB / ton over a 10 years period.

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Feed consumption (Million ton)	22,636	22,722	24,919	25,795	26,126	26,491	26,799	27,102	27,452	27,805	28,053
CAGR	2.2%										

Source: The Ministry of Agriculture and Rural Affairs of the People's Republic of China

1.2. Gross Profit Margin based on the average in the past 3 years (2017-2019), representing 15% of sales revenue. The main cost is raw materials such as corn, soybean meal, etc. The total cost of raw materials is 94% of the average total cost of sales.

	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income	21,424	24,351	24,861	27,569	28,167	28,778	29,403	30,041	30,693	31,359	32,039	32,735	33,445	34,171
Gross Profit (%)	17%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%

1.3. Selling expense, refer to averaged data of past three years (2017 – 2019), accounting for 6% of sales revenue. The main selling expenses are personnel related expenses and travel expenses which are related to sales activity.

	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Selling expense	(1,311)	(1,350)	(1,418)	(1,596)	(1,631)	(1,666)	(1,702)	(1,739)	(1,777)	(1,815)	(1,855)	(1,895)	(1,936)	(1,978)
% to Income	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%

1.4. Administrative expense refer to averaged data of past three years (2017 – 2019), accounting for 4% of sales revenue. The main administrative expense is personnel related expense and travel expense which are related to administrative activity.



	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Administrative expense	(915)	(997)	(1,130)	(1,186)	(1,212)	(1,239)	(1,265)	(1,293)	(1,321)	(1,350)	(1,379)	(1,409)	(1,439)	(1,471)
% to Income	-4%	-4%	-5%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%

1.5. Main items of other income are financial support from the government department of the People's Republic of China, Farm rental income, Profit from the sale of other products, such as probiotics. For other income, it estimates by based on an average of the ratio of other income to sales revenue of 0.6% of the sales revenue in 2019 as other income tends to decline continuously.

	Actual			Projection										
RMB Million	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Other Income	86	250	123	177	181	185	189	193	197	201	206	210	215	219
% to Income	0.4%	1.0%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%

1.6. Financial costs refer to the latest averaged borrowing interest rate of 5% which reflects the latest financial position.

1.7. Tax refer to the corporate income tax rate of the People's Republic of China at 25% of the profit before tax.

1.8. Working capital based on past actual ratios for the past 3 years (2017-2019)

1.8.1. Average Accounts Receivable Collection Period 21 days

1.8.2. Average Inventory Turnover 36 days

1.8.3. Average Accounts Payable Payment Period 31 days

1.9. CAPEX is an investment in assets to expand production capacity and maintenance assets. Referring to averaged CAPEX to income in the past 3 years was at 3% of sales revenue.

1.10. Depreciation and Amortization of assets are based on the enterprise's depreciation and amortization policy. Assets have a useful life in the range of 10 - 50 years depends on the type of asset.

1.11. Minimum cash refer to the portion of cash on hand to actual total expenses incurred in the past at 8% of total expenses.

Financial Projection

Operating Performance

	Actual			Projection										
(RMB Million)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income	21,424	24,351	24,861	27,569	28,167	28,778	29,403	30,041	30,693	31,359	32,039	32,735	33,445	34,171
Cost of goods sold	(17,786)	(20,804)	(21,220)	(23,324)	(23,830)	(24,348)	(24,876)	(25,416)	(25,967)	(26,531)	(27,106)	(27,695)	(28,296)	(28,910)



(RMB Million)	Actual			Projection										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross Profit	3,637	3,547	3,641	4,245	4,337	4,431	4,527	4,625	4,726	4,828	4,933	5,040	5,149	5,261
Selling expense	(1,311)	(1,350)	(1,418)	(1,596)	(1,631)	(1,666)	(1,702)	(1,739)	(1,777)	(1,815)	(1,855)	(1,895)	(1,936)	(1,978)
Administrative expense	(915)	(997)	(1,130)	(1,186)	(1,212)	(1,239)	(1,265)	(1,293)	(1,321)	(1,350)	(1,379)	(1,409)	(1,439)	(1,471)
Operating profit	1,411	1,201	1,093	1,462	1,494	1,526	1,560	1,593	1,628	1,663	1,699	1,736	1,774	1,812
Other Income	86	250	123	177	181	185	189	193	197	201	206	210	215	219
Profit from associates	104	127	183	143	143	143	143	143	143	143	143	143	143	143
Profit from entities under common control	32	21	18	25	25	25	25	25	25	25	25	25	25	25
EBIT	1,633	1,599	1,417	1,807	1,842	1,879	1,916	1,954	1,993	2,032	2,073	2,114	2,156	2,199
Interest Received	55	84	78	48	96	80	80	82	84	86	100	140	184	231
Interest Paid (Net)	(87)	(130)	(225)	(249)	(247)	(196)	(164)	(130)	(91)	(49)	(19)	(19)	(19)	(9)
EBT	1,602	1,553	1,270	1,606	1,691	1,762	1,832	1,906	1,986	2,069	2,153	2,235	2,321	2,422
Tax	(354)	(319)	(279)	(401)	(423)	(440)	(458)	(477)	(496)	(517)	(538)	(559)	(580)	(605)
Net Profit	1,248	1,234	991	1,204	1,269	1,321	1,374	1,430	1,489	1,552	1,615	1,676	1,740	1,816
Net Profit (%)	6%	5%	4%	4%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

Financial Position

(RMB Million)	Actual	Projection											
	30 Jun20	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Property, plant and equipment	4,871	5,140	5,704	6,242	6,755	7,240	7,698	8,129	8,531	8,903	9,246	9,559	
Investment properties	48	48	48	48	48	48	48	48	48	48	48	48	
Right of land use	851	843	826	809	792	775	758	741	723	706	689	672	
Other right of use assets	194	184	165	146	126	107	87	68	49	29	10	-	
Intangible assets	222	200	155	111	67	22	-	-	-	-	-	-	
Investments in joint ventures	131	141	166	191	216	241	266	291	316	341	365	390	
Investments in associates	816	865	1,009	1,152	1,296	1,440	1,583	1,727	1,870	2,014	2,158	2,301	
Other financial assets	139	139	139	139	139	139	139	139	139	139	139	139	
Goodwill	244	244	244	244	244	244	244	244	244	244	244	244	
Other non-current assets	31	31	31	31	31	31	31	31	31	31	31	31	
Deferred tax assets	22	22	22	22	22	22	22	22	22	22	22	22	
Inventories	2,079	2,280	2,330	2,380	2,432	2,485	2,538	2,594	2,650	2,707	2,766	2,826	
Current Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	
Accounts receivable	1,757	1,329	1,358	1,387	1,417	1,448	1,480	1,512	1,544	1,578	1,612	1,647	
Advance payments and other receivables	2,754	3,483	3,507	3,532	3,557	3,583	3,609	3,636	3,663	3,691	3,720	3,749	
Deposits under obligation	6	6	6	6	6	6	6	6	6	6	6	6	



Cash and cash equivalents	2,472	2,499	2,069	2,086	2,131	2,177	2,225	2,590	3,636	4,771	6,001	7,339
Total assets	16,638	17,455	17,779	18,527	19,279	20,008	20,735	21,777	23,473	25,232	27,059	28,975
Accounts payable	1,291	2,000	2,044	2,088	2,133	2,180	2,227	2,275	2,325	2,375	2,427	2,479
Accrued expenses and other payables	2,705	2,685	2,716	2,748	2,780	2,813	2,847	2,882	2,917	2,953	2,990	3,027
Accrued dividend payable	242	242	242	242	242	242	242	242	242	242	242	242
Income tax payable	118	154	162	169	176	183	191	199	207	214	223	232
Lease liabilities	193	183	164	145	125	106	86	67	47	28	9	-
Borrowings	4,904	4,555	3,540	2,897	2,203	1,428	589	-	-	-	-	-
Bond	82	-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	228	228	228	228	228	228	228	228	228	228	228	228
Deferred tax liabilities	137	137	137	137	137	137	137	137	137	137	137	137
Total liabilities	9,899	10,185	9,233	8,653	8,025	7,316	6,547	6,029	6,102	6,177	6,254	6,346
Net assets	6,739	7,270	8,545	9,873	11,254	12,691	14,188	15,748	17,371	19,055	20,804	22,630
Shareholders' equity attributable to equity holders of the Company	6,076	6,555	7,705	8,903	10,148	11,443	12,793	14,199	15,663	17,181	18,759	20,405
Non-controlling interests	663	715	840	971	1,107	1,248	1,395	1,548	1,708	1,874	2,046	2,225
Total shareholders' equity	6,739	7,270	8,545	9,873	11,254	12,691	14,188	15,748	17,371	19,055	20,804	22,630

2) Terminal Value

Terminal Growth based on forecasted animal feed consumption rate in the People's Republic of China that is projected to have an average annual growth rate of 2.2% by the Ministry of Agriculture and Rural Affairs of the People's Republic of China over the ten years (2020-2029).

3) Discount Rate

Weighted Average Cost of Capital according to CTI's current capital structure.

Risk-free Rate: Rf	3.3%	The China 15 Years Government Bond Yield
Market Return: Rm	11.4%	The averaged past 15 years of rate of return on investment in the Shenzhen Stock Exchange (SZSE)
Relevered Beta : β	1.1	The averaged market price's volatility of Feed manufacturer and distributor companies, listed in SZSE whose income close to CTI which has only 4 companies (refer to company list in 6.2.3 and 6.2.4), and adjusted by CTI's debt to equity ratio.
D/E Ratio	0.9	D/E Ratio of CTI as of June 30, 2020
Cost of Equity	12.1%	Calculated according to the formula of $R_f + (\beta * (R_m - R_f))$
Cost of Debt – Weighted	4.4%	The latest averaged interest rate

Tax Rate	25%	Corporate income tax rate of the People's Republic of China
Cost of the borrowing after taxes	3.3%	Calculated according to the formula of $K_d * (1 - \text{Tax})$
WACC	8.1%	Calculated according to the formula of $K_d * (1 - \text{Tax}) * (D/V) + K_e * (E/V)$

4) Discounted free cash flow

(RMB Million)	2020(7M)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EBIT *(1-Tax)	781	1,403	1,431	1,459	1,488	1,517	1,547	1,578	1,610	1,642	1,675
Depreciation and Amortization	203	392	437	483	530	555	582	632	683	735	779
Changes in working capital	142	(20)	(22)	(23)	(23)	(23)	(23)	(24)	(25)	(25)	(25)
CAPEX	(472)	(880)	(899)	(919)	(939)	(959)	(980)	(1,001)	(1,023)	(1,045)	(1,068)
FCFF	654	895	946	1,000	1,056	1,090	1,126	1,185	1,245	1,307	1,361
Terminal value											23,551
Total cash flow	654	895	946	1,000	1,056	1,090	1,126	1,185	1,245	1,307	24,912
Discount rate	0.96	0.88	0.82	0.76	0.70	0.65	0.60	0.55	0.51	0.48	0.44
Present value of cash flow	625	791	774	757	740	707	675	658	639	621	10,951
Total present value of cash flow	17,937										
Deduct: Accrued Dividend payable	(214)										
Deduct: Accrued Dividend payable (as specified in SPA)	(800)										
Deduct: Interest bearing debt	(5,092)										
Add: Other receivables	1,187										
Add: Investments in other listed companies	110										
Add: Cash	2,220										
Shareholders' equity	15,349										
Shareholders' equity-Controlling	13,840										
Shareholders' equity-Minority interest	1,509										

5) Sensitivity analysis

IFA analyzed the sensitivity of shareholders' equity value by adjusting the projected gross profit margin which refer to gross profit margin in 2017 – 2019 in the range of 15% - 17% as follow.

Cases	Worst case	Base case	Best case
Gross Profit Margin (%)	14.6%	15.4%	16.2%

Shareholders'equity- Controlling (RMB Million)	11,035	13,840	16,643
Shareholders'equity- Controlling (THB Million)	51,485	64,566	77,647

6.3 Summary of Valuation

Summary of the valuation of Target companies and CTI which obtained from various valuation approaches as follows.

Unit: THB Million

Valuation Approach	Value of FARM	Value of FEED	Value of FEED and FARM	FARM to FEED Portion
1. Book Value ("BV")	31,275	28,348	59,622	52:48
2. Adjusted Book Value ("ABV")	24,694	24,982	49,676	50:50
3. Market Comparable				
3.1 P/ABV	117,575	70,368	187,943	63:37
3.2 P/E	529,864	100,302	630,166	84:16
3.3 EV/EBITDA	No information on EBITDA			
4. Discounted Cash Flow ("DCF") (base case)	140,927	64,566	205,493	69:31
Sensitivity analysis				
Pessimistic Case	125,242	51,485	176,727	71:29
Optimistic Case	160,504	77,647	238,151	67:33
5. Precedent Transaction Comparable	No appropriate comparable			

6.4 Advantages and Limitations of Each Valuation Methodology

Valuation Approach	Advantages	Limitations
1. Book Value Approach	<ul style="list-style-type: none"> Reflect the latest accounting data 	<ul style="list-style-type: none"> Regardless of future profitability. Not reflect any situation that may affect to future financial position.
2. Adjusted Book Value Approach	<ul style="list-style-type: none"> Reflect the latest accounting data after adjustment 	<ul style="list-style-type: none"> Regardless of future profitability potential. Not reflect any situation that may affect to future financial position.
3. Market Comparable Approach		
3.1 P/E	<ul style="list-style-type: none"> Refer to actual share's buying/selling price 	<ul style="list-style-type: none"> Inappropriateness in case of revenue structure, cost structure and expenses or capital structure are mostly different.



Valuation Approach	Advantages	Limitations
3.2 P/BV	<ul style="list-style-type: none"> Refer to actual share's buying/selling price 	<ul style="list-style-type: none"> Inappropriateness in case of different accounting policy of each company. Inappropriateness in case of revenue structure, cost structure and expenses or capital structure are mostly different.
3.3 EV/EBITDA	<ul style="list-style-type: none"> Refer to actual share's buying/selling price 	<ul style="list-style-type: none"> Inappropriateness in case of revenue structure, cost structure and expenses are mostly different.
4. DCF Approach	<ul style="list-style-type: none"> Reflect business plan and profitability 	<ul style="list-style-type: none"> Refer to various assumptions.
5. Precedent Transaction Comparable Approach	<ul style="list-style-type: none"> Refer to actual share's buying/selling price 	<ul style="list-style-type: none"> Actual transaction may not be properly compared.

Considering the advantages and limitations of the enterprise valuation approach, IFA has an opinion that the appropriated valuation approach is Discounted Cash Flow (DCF) approach.

6.5 Appropriateness of the Terms and Conditions of Entering into the Transaction

Fairness of the transaction's terms and conditions as follow

- Equally protect the interests of both parties with important requirements for both parties as follows
 - Comply with the conditions precedents to obtain all relevant licenses and legal documents, which shall survive and remain in full force and effect
 - Profit Warranty for 2020
 - Acquired or disposed of various businesses as agreed
 - Provide Representations and Warranties
- Condition precedents are in place to ensure that the transaction is legal and pursuant to criteria used to regulate listed companies. The IFA viewed that the important condition precedents are not at risk of not being fulfilled.
- Contract parties are required to obtain all relevant licenses and legal documents, which shall survive and remain in full force and effect.



4. The contractual parties are required to provide Profit Warranty for 2020 as follow:
 - a. The profit attributable to shareholders of feed business for the period ended 6M2020 was RMB 609 million, accounted for 63.5% of the feed business Profit Warranty for 2020 that was set at RMB 959 million and the Company group's total revenue for the period ended 5M2020 at RMB 2,387 million, equivalent to 42.5% of the Profit Warranty of the Target Companies for the year 2020 that was set at RMB 5,617 million. The IFA viewed that in 2020, there is a high probability that the profit of the feed business and the Target Companies will achieve the targeted profit owing to Chinese's preference to consume pork meat, led to the demand for pork in the People's Republic of China to remain high, together with the swine epidemic that caused insufficient supply of pork meat.
 - b. The maximum value that CTI and CTAI shareholders are required to pay under the Profit Warranty amounted to RMB 795 million and RMB 1,474 million, respectively. The IFA opined that according to the CTAI and CTAI dividend payment agreement of RMB 800 million and RMB 1,450 million, respectively, and CTI's and the Target Companies' net profit for the period ended 6M2020 were RMB 675 million and RMB 3,017 million, respectively, CTI and CTAI's shareholders have the potential to pay for the maximum compensation under the Profit Warranty.
5. Except for the difference in Profit Warranty according to business type, there is no difference in the Profit Warranty formula that determined the factors for calculating penalties for both parties, where the Profit Warranty formula reflected the potential events that may occur, and took into consideration various important drivers such as past operation performances and expected performances of 2020, transaction price and etc., to charge the contractual parties in the event that either party is unable to achieve the Profit Warranty.
6. Requirements to prohibit the contractual parties to take any course of actions that may have material adverse effect to the operating performance of CTI and the Target Companies



7. Summary of the Opinion by the Independent Financial Advisor

IFA analyzed all relevant information for entering into the transaction, including management interviews of both the Target Companies and the manufacturing and distribution of animal feed companies along with current market situations and industry outlooks. In accordance with information above, IFA opined that entering into this transaction will support CTI to be the one of the leading companies in the People's Republic of China with a fully integrated swine business with both the production and distribution of animal feed business and swine farm business. In addition, in-depth corporation between the managements of both businesses has provided benefits by enhancing CTI's long-term competitive advantages.

IFA performed FARM and FEED valuations based on various valuation approaches and opined that an appropriated valuation approach is the Discounted Cash Flow (DCF) method, which properly reflected business plan and profitability. The value of FARM is RMB 30,206 million or approximately THB 140,927 million and FEED is valued at RMB 13,840 million or approximately THB 64,566 million. The proportion of FARM value and FEED value when compared with CTI's business value after entering the transaction is 69:31. Therefore, this transaction is reasonable and beneficial to CPF as the proportion of FEED value, compared with CTI's business value after enter into the transaction is at 35% higher than the proportion estimated by IFA at 31%. Moreover, the conditions of the transaction are appropriate and fair.

Considering the advantages, disadvantages, and risk of entering into the transaction, the IFA viewed that entering into the transaction is appropriate with fair price and terms and conditions. The benefits outweigh the limitations and suggested that the shareholders should approve the transaction.

The shareholders are advised to consider the reasonableness and the opinion of the IFA, whereby the IFA assumed that all information, documents and drafted documents received together with interviews with the management and related parties are truthful, complete and accurate. The assumptions used to prepare the financial projection are reasonable based solely on the current condition and situation. Hence, if there were to be any significant changes from the current condition and/or any information were to be inaccurate, the opinion of IFA provided in this report may be materially affected, for which the IFA will not be held accountable. The decision to cast a vote for or against the transaction shall be subjected to the shareholders' discretion.



I certify that I have carefully considered and provided opinion on the above case in accordance with professional standards and mainly consideration of the interests of shareholders.

Yours Sincerely,
The Independent Financial Advisor
Asia Plus Advisory Co.,Ltd.

Ms.Rachada Klewpatinond

(Ms.Rachada Klewpatinond)

Executive Vice President

Ms.Suwimol Srisophachit

(Ms.Suwimol Srisophachit)

Executive Vice President

Ms.Suwimol Srisophachit

(Ms.Suwimol Srisophachit)

Operational Controller



Enclosure 1 Summary Information of The Target Companies

Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
1	Hebei C.P. Livestock Co.,Ltd	100%	Hebei	1. Li Qinghe (Chairman) 2. Yang Senyuan 3. Xie Yi	Swine farm, Breeding for distribute boars and sows
2	Qinghuangdao C.P. Swine Business Co.,Ltd	100%	Hebei	1. Li Qinghe (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
3	Liaoning C.P. Livestock Co.,Ltd	100%*	Liaoning	1. Bai Shanlin (Chairman) 2. Dong Zhong 3. Yang SenYuan	Similar to No. 1
4	Jilin Zongxin Chia Tai Food Co.,Ltd.	65% ¹	Jing Ling	1. Bai Shailin (Chairman) 2. Fu Qidong 3. Xie Cicai 4. Dong Zhong 5. Xiao Zhehe 6. Yang Senyuan 7.Xie Yi	Similar to No. 1
5	Lanzhou Chia Tai Food Co.,Ltd	100%	Gansu	1. Ma Jilin (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
6	Shaanxi Chia Tai Food Co.,Ltd	100%	Shaanxi	1. Chen Qiang 2. Jin Linkai 3. Xie Yi 4. Yang Senyuan	Similar to No. 1
7	Inner Mongolia Chia Tai Food Co.,Ltd	100%*	Inner Mongolia Autonomous Region	1. Dong Zhong (Chairman) 2. Xie Yi 3. Yang Senyuan	Similar to No. 1

¹ The remaining 35% of the total share capital is held by Xinjifeng Private Co. Ltd., a Singapore incorporated company.

Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
8	C.P. Livestock Datong Co., Ltd	100%	Shanxi	1. Dong Zhong (Chairman) 2. Chen Qiang 3. Yang Senyuan	Similar to No. 1
9	Xinjiang Chia Tai Livestock Co., Ltd.	100%	Xinjiang Uygur Autonomous Region	1. Dong Yinhe (Chairman) 2. Yang Senyuan 3. Xie Yi 4. Bai Shanlin	Similar to No. 1
10	Inner Mongolia Chia Tai Hongye Food Co., Ltd.	100%	Inner Mongolia Autonomous Region	1. Bai Shanlin (Chairman) 2. Dong Zhong 3. Yang SenYuan 4. Xie Yi 5. Zheng Lingyun	Slaughtering pork
11	Shanxi Chia Tai Food Co., Ltd.	100%	Shanxi	1. Chen Qiang (Chairman) 2. Xie Yi 3. Yang Senyuan	Slaughtering pork
12	Xianyang Chia Tai Food Co., Ltd.	100%	Hubei	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
13	Shandong C.P. Livestock Co., Ltd.	100%	Shandong	1. Jiang Bo (Chairman) 2. Yang Senyuan 3. Zhao Yongliang	Similar to No. 1
14	Anhui C.P. Livestock Co., Ltd.	100%	Anhui	1. Huo Erfeng (Chairman) 2. Zhao Qingqin 3. Yang Senyuan	Similar to No. 1

Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
15	Jiangsu Chia Tai Nongken Swine Business Co., Ltd.	100%	Jiangsu	1. Jiang Bo (Chairman) 2. Zhang Hongfei 3. Ding Gang 4. Yang Senyuan 5. Xie Yi	Similar to No. 1
16	Qingdao C.P. Swine Business Co., Ltd.	91% ¹	Shandong	1. Huo Erfeng (Chairman) 2. Jiang Bo 3. Xie Yi 4. Xun Chunyu 5. Yang Senyuan	Similar to No. 1
17	Chuzhou Chia Tai Swine Business Co., Ltd.	100%	Anhui	1. Huo Erfeng (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
18	Chia Tai (Dongying) Swine Business Co., Ltd.	100%*	Shandong	1. Jiang Bo (Chairman) 2. Xie Yi 3. Yang Senyua 4. Zhang Hongfei 5. Zhao Yongliang	Similar to No. 1
19	Nantong Chia Tai Agricultural Development Co., Ltd.	60% ²	Jiangsu	1. Huo Erfeng (Chairman) 2. Yang Senyuan 3. Xie Yi 4. Jiang Xuelin 5. Bao Wanling	Similar to No. 1

¹ The remaining 9% of the total share capital is held by Grand Great Investments Limited, a company incorporated in the British Virgin Islands.

² The remaining 40% of the total share capital is held by The Guo An Village Committee, Chao Bu County, Ru Dong Province, lastly owned by the local government.

Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
20	Yichang Chia Tai Animal Husbandry Co., Ltd.	100%	Hubei	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
21	Hunan C.P. Livestock Co., Ltd.	100%	Hunan	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
22	Henan C.T. Livestock Co., Ltd.	100%	Henan	1. Huo Erfeng (Chairman) 2. Yang Senyuan 3. Wang Hongzhang	Similar to No. 1
23	Yueyang Chia Tai Agro-Industrial & Food Co., Ltd	100%	Hunan	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
24	Xiangyang Chia Tai Agro-Industry & Food Co., Ltd.	100%	Hubei	1. Zhou Yongshun (Chairman) 2. Jin Linkai	Similar to No. 1
25	Luoyang C.P. Food Co., Ltd.	100%*	Henan	1. Huo Erfeng (Chairman) 2. Yu Jianping (Vice Chairman) 3. Xie Yi 4. Wang Hongzhang 5. Yang Senyuan	Swine farm, Breeding for distribute boars and sows and Slaughtering pork
26	Luoyang Chia Tai Agro-Industry Co., Ltd	100%	Henan	1. Huo Erfeng (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
27	Xianning Chia Tai Agro-Industry & Food Co., Ltd.	100%	Hubei	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1



Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
28	Chenzhou Chai Tai Agro-Industrial and Food Co., Ltd.	100%	Hunan	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
29	Guangxi C.P. Livestock Co., Ltd.	85% ¹	Guangxi Autonomous Region	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi 4. Qin Yebi	Similar to No. 1
30	GuiLin C.P. Livestock Co., Ltd.	95% ²		1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Huang Zhengzhu 4. Xie Yi 5. Tan Huaxiang	Similar to No. 1
31	Chengdu Chai Tai Agro-Industry & Food Co., Ltd.	100%	Sichuan	1. Bai Yufei (Chairman) 2. Jin Linkai	Similar to No. 1
32	Chongqing Chia Tai Agro-Industry & FoodCo.,Ltd	60%* ³	Chongqing	1. Bai Yufei (Chairman) 2. Ma Xiaoling (Vice Chairman) 3. Yang Senyuan 4. Xie Yi 5. Hu Jiabin	Similar to No. 1

¹ The remaining 15% of the total share capital is held by The Economic, Trade and Information Office of Liangqing District, Nanning City, last owned by the local government.

² The remaining 5% of the total share capital is held by The Economic, Trade and Information Office of Liangqing District, Nanning City, last owned by the local government.

³ The remaining 40% of the total share capital is held by Chong Qing State Property Supervision and Management Committee, last owned by the local government.

Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
33	Kunming C.P. Swine Business Co., Ltd.	100%	Yunnan	1. Bai Yufei (Chairman) 2. Xie Yi 3. Yang Senyuan	Similar to No. 1
34	GuiZhou Chia Tai Agro-Industry & Food Co., Ltd.	100%	Guizhou	1. Bai Yufei (Chairman) 2. Yang Senyuan 3. Tang Yilin 4. Xie Yi	Similar to No. 1
35	Laibin Chia Tai Modern Agriculture Co., Ltd.	100%	Guangxi Autonomous Region	1. Zhou Yongshun (Chairman) 2. Zheng Lingyun 3. Yang Senyuan 4. Xie Yi 5. Tan Huaxiang	Similar to No. 1
36	Sichuan Chia Tai Animal Husbandry Co., Ltd.	100%	Sichuan	1. Bai Yufei (Chairman) 2. Xie Yi 3. Li Xiaoyong 4. Song Hang 5. Yang Senyuan	Similar to No. 1
37	Pizhou Chia Tai Food Co., Ltd.	100%	Jiangsu	1. Huo Erfeng (Chairman) 2. Yao Minpu 3. Xie Yi 4. Xu Chunyu 5. Yang Senyuan	Similar to No. 1
38	Jiangxi Chia Tai Livestock Co., Ltd.	100%	Jiangxi	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi 4. Li Qi'an	Similar to No. 1

Order	Company's Name	Acquired Shareholding Proportion (%)	County	Board of Directors	Nature of business
39	Fujian C.P. Livestock Co., Ltd.	100%	Fujian	1. Huo Erfeng (Chairman) 2. Yang Senyuan 3. Xun Chunyu	Similar to No. 1
40	Guangdong Zhanjiang Chia Tai Swine Industry Co., Ltd.	100%	Guangdong	1. Zhou Yongshun (Chairman) 2. Yang Senyuan 3. Xie Yi 4. Qiao Yuantao	Similar to No. 1
41	Guangdong Chia Tai Ecological Agriculture Co.,Ltd	100%	Guangdong	1. Zhou Yongshun (Chairman) 2. Zheng Lingyun 3. Yang Senyuan 4. Xie Yi 5. Qiao Yuantao	Similar to No. 1
42	Minquan Chia Tai Agriculture & Animal Husbandry Development Co., Ltd.	100%	Henan	1. Huo Erfeng (Chairman) 2. Yang Senyuan 3. Xie Yi	Similar to No. 1
43	Gansu Qingyang Chia Tai Food Co., Ltd.	100%	Gansu	1. Bai Shanlin (Chairman) 2. Ma jilin 3. Paisan Youngsomboon 4. Xie Yi 5. Zheng Lingyun	Similar to No. 1 (not yet started)

Note: * will be purchased by CTAI according to condition precedent