

**(Translation)**

Opinion on the Connected Transaction in Relation to  
The Share Acquisition in C.P. Cambodia Company Limited

By  
CPF Investment Limited

Presented to  
Shareholders of Charoen Pokphand Foods Public Company Limited



Prepared By  
Avantgarde Capital Company Limited



19 March 2015



No. AGC 2015/003

19 March 2015

Subject IFA's opinion on the connected Transaction in relation to the acquisition of C.P. Cambodia Company Limited

Attention Shareholders of Charoen Pokphand Foods Public Company Limited

Refer to

1. Resolutions of the Board of Directors of Charoen Pokphand Foods Public Company Limited No. 2/2015 held on 26 February 2015
2. Information Memorandum regarding the connected Transaction, the acquisition of share of C.P. Cambodia Company Limited by a subsidiary

Refer to the Board of Directors Resolution of Charoen Pokphand Foods Public Company Limited ("CPF") No. 2/2015 on 26 February 2015 (Ref. 1) and Information Memorandum regarding the connected Transaction (Ref. 2), the Board of Directors approved to propose the share acquisition in C.P. Cambodia Company Limited by a subsidiary to the Annual General Shareholders' Meeting No. 1/2015, which will be held on 22 April 2015, for approval. CPF (a subsidiary of CPF held 100.0% of total issued and paid-up shares) will acquire 10,050 shares of C.P. Cambodia Company Limited ("CPC") or equivalent to 75.0% of CPC's total issued and paid-up shares from Orient Success International Limited ("OSIL") (an indirect subsidiary of Charoen Pokphand Group Company Limited ("CPG")) with the total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share. After the Transaction, CPC and its subsidiary will become an indirect subsidiary of CPF through CPF (which will hold 100.0% of CPC's total issued and paid-up shares (before the Transaction, CPF hold 25.0% of CPC's total issued and paid-up shares.)).

The acquisition of CPC shares is considered as the connected Transaction in accordance with the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendment hereto) and the Notification of the Board of Governors of the Stock Exchange of Thailand No. BorChor./Por 22-01 Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 dated 19 November 2013. The total consideration is THB 2,850.0 million, representing 5.5% of Net Tangible Assets ("NTA") based on the financial information as at 31 December 2014. Since the Transaction value is over THB 20.0 million and over 3.0% of NTA, as a result, CPF shall disclose the Transaction information in order to seek an approval from its shareholders. As a result, this Transaction shall receive an approval from shareholders with the vote of not



less than three-fourth of the total votes of the Shareholders attending the meeting and having the rights to vote, excluding the shareholders who have a conflict of interest.

Avantgarde Capital Company Limited is appointed as Independent Financial Advisor (“IFA”) from CPF’s Board of Directors to provide independent opinion upon the connected Transaction to CPF’s shareholders. This IFA report was prepared based on the information gathered from (1) the information prepared by CPF, CPC and CPF’s financial advisor, (2) an interview with CPC/CPF management regarding its business structure, policy and CPC’s and CPF’s business plans in the future (3) analysis of Cambodia economic and agricultural (including livestock) to justify reasonableness of entering the Transaction and (4) assumptions of CPC’s financial projection to calculate the fair value of CPC’s 10,050 shares (75.0% of total issued and paid-up shares) and compare with the consideration price. In this report, IFA has referred and analysed the information as follows;

- Annual Report and form 56-1 of Charoen Pokphand Foods Public Company Limited in 2013
- Audited consolidated financial statement of Charoen Pokphand Foods Public Company Limited and management discussion & analysis in 2011 - 2014
- CPC’s Business structure in agro-industrial and food industry, market data of CPC and 5-year business plan
- General information of CPC which are publicly available on CPC’s and CPF’s website as well as other publications such as articles or news
- Audited financial statement and trial balances of CPC in 2010 – 2014
- Audited financial statement and trial balances of CPT in 2010 – 2014
- Consolidated financial statements of CPC audited by CPC’s auditor according to the guideline specified by CPF
- Financial projection (including 5-year business plan) and details of capital expenditure in each business
- Contracts/agreements related to CPC’s operations, for example, technical agreement, rental agreement, loan agreement, etc.
- Corporate documents and shareholder list of CPC & CPT
- Information of Directors and shareholders of all parties related to the Transaction from the Company and Business Online

The IFA has prepared this report and hereby certified that we have studied, analyzed and prudently performed our duties as Independent Financial Advisor, complying with the generally accepted professional standard and rendered our opinion based on the unbiased analysis with regards to the best benefit of the



shareholders. However, it is important to note that the IFA's opinions are based on the information and documents received from the Company and other publicly available information. The IFA assumes that such information is accurate and reliable at the time the IFA prepared this opinion report. However, if such information is found to be inaccurate and/or incomplete and/or unreliable and/or have any significant changes in the future, the opinion provided by the IFA may differ accordingly. As a result, the IFA is unable to be held responsible for any adverse impacts on the Company and its shareholders resulting from the Transaction. In addition, the objective of this report is merely to provide the opinion on the Transaction to the Company's shareholders only. Notwithstanding, the decision to vote is the sole discretion of the shareholders, which shall include the consideration of advantages, disadvantages, and risk associated with the Transaction as well as consideration of the attached documents submitted to the shareholders along with the invitation letter so as to make the most appropriate decision. In this regard, the opinion of the IFA does not certify the success of the Transaction as well as the possible impacts to the Company and/or to the Company's shareholders. The IFA does not hold any responsibilities for the impacts that might arise from such Transaction both directly and indirectly.

The IFA has considered the reasonableness of the Transactions in detail described below:



## Glossary

“CAGR”	Compound Annual Growth Rate
“Country Risk Premium”	The additional risk associated with investing in an international company rather than the domestic market which is considered from macroeconomic factors such as political instability, Exchange Rate, economic condition etc.
“CPC”	C.P. Cambodia Company Limited
“CPF” or “Company”	Charoen Pokphand Foods Public Company Limited
“CPFI”	CPF Investment Limited
“CPG”	Charoen Pokphand Group Company Limited
“CPT”	Cambodia Property & Trading Company Limited (a subsidiary of CPC)
“LIBOR”	London Interbank Offering Rate
“Median Comparables’ Beta”	An average of Beta from comparable companies
“NTA”	Net Tangible Assets
“OSIL”	Orient Success International Limited
“WACC”	Weighted Average Cost of Capital
“CPF Group”	CPF and its subsidiaries & associates
“CPG Group”	CPG and its subsidiaries & associates
“Cambodia”	Kingdom of Cambodia
“Connected Transaction” or “the Transaction”	The acquisition of CPC’s 10,050 ordinary shares, representing 75.0% of total issued and paid-up shares from OSIL by CPFI
“Poultry”	Broiler, Native Broiler, Broiler Chick, Native Broiler chick, Pullet
“SET”	The Stock Exchange of Thailand
“Independent Financial Advisor” หรือ “IFA”	Avantgarde Capital Company Limited
“Southern Mekong Subregion”	Cambodia, Laos, Thailand and Vietnam
“Laos”	Lao People’s Democratic Republic
“SEC”	The Securities and Exchange Commission



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## 1. Executive Summary

Refer to the Board of Directors meeting of Charoen Pokphand Foods Public Company Limited (“CPF”) No. 2/2015 held on 26 February 2015, Board of Directors has approved to propose the 75% investment in C.P. Cambodia Company Limited (“CPC”) to the Annual General Shareholders’ Meeting No. 1/2015, which will be held on 22 April 2015, for approval. CPF Investment Limited (“CPFI”), a wholly-owned subsidiary of CPF, will acquire 10,050 shares or equivalent to 75.0% of total issued and paid-up shares of CPC from Orient Success International Limited (“OSIL”), an indirectly subsidiary of Charoen Pokphand Group Company Limited (“CPG”), with the total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share. After the Transaction, CPC and its subsidiary will become an indirect subsidiary of CPF through CPFI which will hold 100.0% of total issued and paid-up shares of CPC (before the Transaction, CPFI hold 25.0% of total issued and paid-up shares). The acquisition of CPC’s shares is considered as the connected Transaction as OSIL are considered as related persons in accordance with the Notification of the Capital Market Supervisory Board and the Notification of the Board of Governors of the Stock Exchange of Thailand.

The Board of Directors Meeting of the Company considered and viewed that the Transaction is reasonable and beneficial to CPF group as Cambodia’s agro-industrial market has strong growth potential. In addition, CPC has its capability to expand its food business. Over the past 4 years, CPC’s net profit has been increased continuously with CAGR (2011 – 2014) of 30.3%.<sup>1</sup>

### Characteristic of the Transaction (briefly)

Buyer	CPF Investment Limited (“CPFI”) (CPFI is a subsidiary of CPF which hold 100.0% of total issued and paid-up shares)
Seller	Orient Success International Limited (“OSIL”) (OSIL is an indirect and wholly-owned subsidiary of CPG)
No. of shares of the Transaction	CPC’s ordinary share of 10,050 shares, or equivalent to 75.0% of total issued and paid-up shares
Value of the Transaction	The total consideration of THB 2,850.0 million, or equivalent to THB 283,582.1 per share

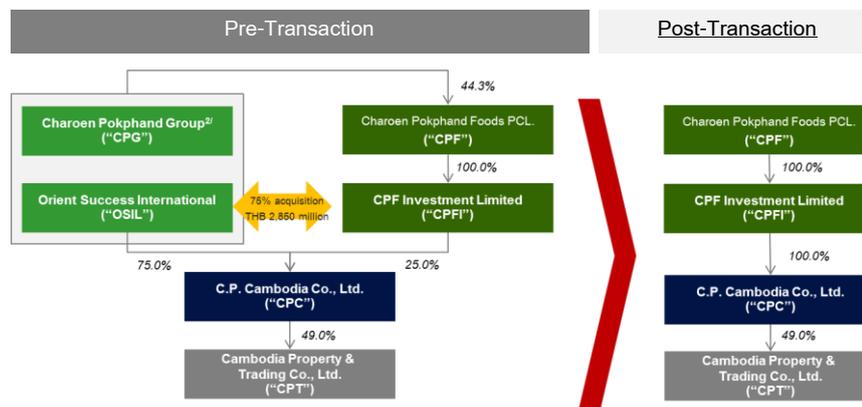
<sup>1</sup> Calculation is based on consolidated financial statement of CPC



Characteristic and scope of interest of the connected person

CPFI and OSIL are considered as connected persons as OSIL is an indirect wholly-owned subsidiary of CPG and CPG is a major shareholder of CPF. In addition, some directors of CPF are also directors of CPG. Thus, OSIL is considered as related person to CPF.

**The Transaction Structure**



Note: 1/ Indirectly hold via CPG Overseas Co., Ltd. which is a wholly-owned by CPG

Thus, the acquisition of CPC shares is considered as the connected Transaction in accordance the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendment hereto) and the Notification of the Board of Governors of the Stock Exchange of Thailand No. BorChor./Por 22-01 Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 dated 19 November 2013. The total consideration of the Transaction is THB 2,850.0 million representing 5.5% of Net Tangible Assets ("NTA") based on the financial information as at 31 December 2014. Since the Transaction value is over THB 20.0 million and over 3.0% of NTA, as a result, CPF shall disclose the Transaction information in order to seek an approval from its shareholders.

Terms and conditions

CPFI and OSIL agreed to pay for CPC's ordinary shares at amount equaled to THB 2,850.0 million in USD and CPFI will receive CPC's 10,050 ordinary shares from OSI. The Transaction is expected to complete by second quarter of 2015. However, this Transaction shall receive an approval from CPF's shareholders with the vote of not less than three-fourth of the total votes of the Shareholders attending the meeting and having the rights to vote, excluding the shareholders who have a conflict of interest. The Annual General Meeting of Shareholders' of CPF will be held on 22 April 2015.



### Detail of acquisition assets

Company	C.P. Cambodia Company Limited (“CPC”)				
Establishment	19 April 1996				
Location	Angk Snuol district, Kandal province, Phnom Penh, Cambodia				
Website	http://www.cpcambodia.com.kh/				
Share capital	Authorised and paid-up capital of USD 67,402,000.0 with 13,400 ordinary shares at par value of USD 5,030.0 per share				
Shareholding structure	Shareholding structure before and after the Transaction				
	Shareholders	Before the Transaction (As at 26 February 2015)		After the Transaction	
		Number of shares	% of ownership	Number of shares	% of ownership
	1. Orient Success International Limited	10,050.0	75.0	-	-
	2. CPF Investment Limited	3,350.0	25.0	13,400.0	100.0
Total	13,400.0	100.0	13,400.0	100.0	
	<i>Note: CPC is considered as foreign juristic person before and after the Transaction.</i>				
Director	Mr. Adirek Sripratak	Director			
	Mr. Thirayut Phityaisarakul	Director			
	Mr. Montri Suwanposri	Director			
	Mr. Sakol Cheewakoset	Director			
	Mr. Supakitti Bunvet	Director			
Business description	CPC is engaged in agro-industrial and food industry including				
	Business	Description	Proportion of total revenue <sup>2,3</sup>		
	1. Feed business	Engaged in animal feed business where main products are swine and poultry (such as broiler, natives, layers) feeds. Currently, CPC's feed-mill plant is located in Kandal province, Phnom Penh with capacity is approximately	17.9		

<sup>2</sup> Information as at 31 December 2014

<sup>3</sup> Total revenue includes another 2.5% portion of other revenue



	318,000 tons per year and has plan to double its production capacity in the next 5 year.	
2. Farm business	Consists of breeding and farming activities of swine, broilers, native broilers and others from CPC's farms itself as well as strategic farms. In 2014, CPC produced and sold swine and poultry in total of 75.0 million tons per year. In addition, CPC also provide basic meat processing products to the market.	77.0
3. Food business	Manufactures and distributes processed food products such as sausages, chicken rolls and fried chicken under the brand  .	2.6

## Financial highlight

Consolidated financial statements of CPC Group<sup>1/</sup>

Unit: billion	2011		2012		2013		2014	
	KHR	THB <sup>2/</sup>	KHR	THB <sup>2/</sup>	KHR	THB <sup>2/</sup>	KHR	THB <sup>2/</sup>
Assets	353.0	2.7	463.4	3.6	489.0	3.8	566.2	4.6
Liabilities	117.2	0.9	215.8	1.7	205.3	1.6	247.6	2.0
Equity	23.8	1.8	247.6	1.9	283.7	2.2	318.6	2.6
Revenue <sup>3/</sup>	586.4	4.5	714.2	5.5	903.9	7.0	1,025.8	8.3
Gross profit	94.3	0.7	62.0	0.5	119.8	0.9	204.2	1.7
Net profit	41.5	0.3	5.8	0.04	36.0	0.3	91.8	0.7

Note: 1/ Consolidated financial statements of CPC audited by CPC's auditor according to the guideline specified by CPF

2/ Exchange rate determined from BOT selling rate as follows;

- KHR 131.58 per 1 THB in 2011
- KHR 129.87 per 1 THB in 2012
- KHR 129.87 per 1 THB in 2013
- KHR 123.46 per 1 THB in 2014

3/ Revenues from feed business, farm business, food business and other revenue

## Reasonableness of entering into the Transaction

In order to consider the reasonableness on entering into the Transaction, Avantgarde Capital Company Limited appointed as Independent Financial Advisor ("IFA") has analysed related information of the Transaction including objectives of the Transaction, CPF's business policy, macroeconomic and agriculture and food industry (livestock sector) in Cambodia, and the analysis of CPC's historical performances in the past 5 years. The IFA has an opinion that the acquisition of CPC's shares is reasonable because it is an



investment in Cambodia that has economic environment and agricultural industry growth especially in livestock GDP sector which shall support CPF's business growth. Investment in CPC is expected to create financial benefits, both revenues and profits, to CPF and CPF's shareholders. In addition, it is to restructure CPC under CPF being the same business line.

Entering into the Transaction	
Pro	<ul style="list-style-type: none"> <li>▪ Investment in company that has good potential growth with solid 5-year future business plan (please see details in 4.1.1 and 4.2.1)</li> <li>▪ Create more opportunity of generating revenue and profit from CPC</li> <li>▪ Expand food production base covering over the Southern Mekong Subregion which will contribute to a sustainable business of CPF</li> <li>▪ The total consideration of acquiring 75% investments in CPC is reasonable.</li> </ul>
Con	<ul style="list-style-type: none"> <li>▪ Risks which may affect the result of CPC's operations as the plan, for instance, <ul style="list-style-type: none"> <li>- More intense competition</li> <li>- The fluctuation of swine and chicken price</li> <li>- Other external factors i.e. outbreaks of animal diseases, natural disaster (droughts and floods) and political stability etc.</li> </ul> </li> <li>▪ CPF is able to use THB 2,850.0 million investing in other businesses or companies which may make higher return.</li> </ul>
Not entering into the Transaction	
Pro	<ul style="list-style-type: none"> <li>▪ CPF shall take longer time and process to invest in other company, such as to conduct due diligence process and acquisition process, project development or improvement before operations, or changing in internal management system to be in accordance with CPF system etc.</li> </ul>
Con	<ul style="list-style-type: none"> <li>▪ On the contrary, CPF may loss an opportunity to invest in CPC. With its investment amount of THB 2,850.0 million and base-case financial projection, Investment in CPC is expected to provide the equity IRR of 17.3%.</li> </ul>

In addition, CPC has been investing in the production infrastructure and marketing for almost 20 years, and becomes in leading position in Cambodian agricultural business. After the Transaction, CPF shall have fully control in CPC's operations, and gain advantage from CPC as market leader in industry.



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### Reasonableness of the total consideration of the Transaction

Regarding to pros and cons of each valuation methodologies, IFA has come to a conclusion that Discounted Cash Flow Approach (DCF) and Market Comparable Approach are appropriated for determining the fair value of CPC's shares.

IFA has the opinion that the range of CPC's fair value shall be between THB 288,167.5 - 361,847.1 per share or approximately THB 2,896.1 – 3,636.6 million (for 75% of total issued and paid up shares). The consideration price is lower by 1.6% - 27.6% than fair value at THB 2,850.0 million or THB 283,582.1 per share or equal to the 2015E Implied P/E ratio of 8.4x - 10.5x compared to the industry average of 11.3x. IFA is of the opinion that the consideration price of THB 2,850.0 million or equivalent to THB 283,582.1 per share is reasonable.



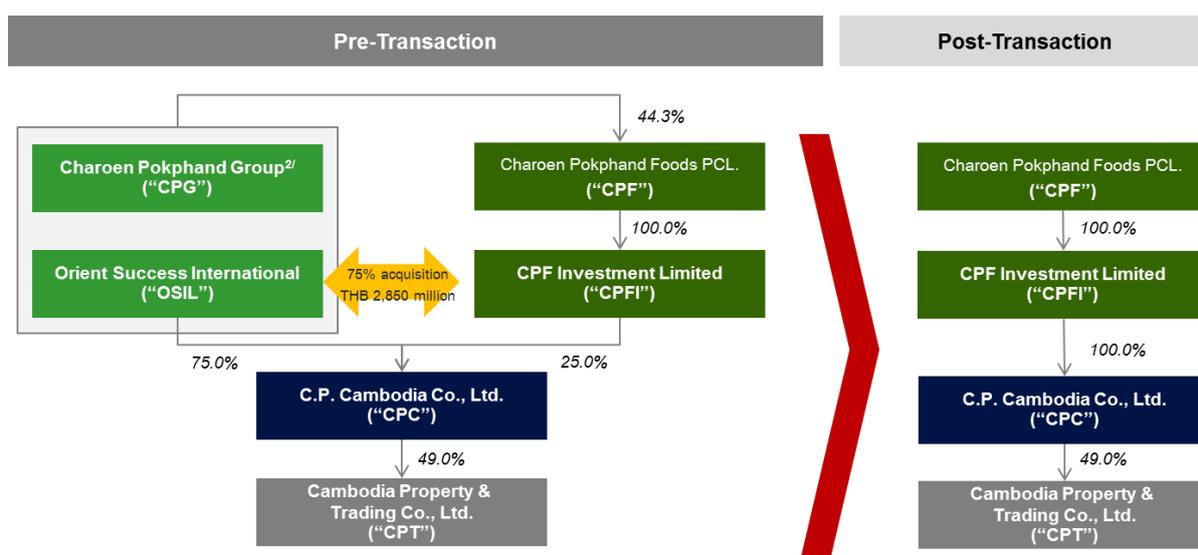
## 2. Overview and Details of Connected Transaction

### 2.1. Objective of the Transaction

Refer to the Board of Directors meeting of Charoen Pokphand Foods Public Company Limited (“CPF”) No. 2/2015 held on 26 February 2015, Board of Directors has approved to propose the 75% investment in C.P. Cambodia Company Limited (“CPC”) to the Annual General Shareholders’ Meeting No. 1/2015, which will be held on 22 April 2015, for approval. CPF Investment Limited (“CPFI”), a wholly-owned subsidiary of CPF, will acquire 10,050 shares or equivalent to 75.0% of total issued and paid-up shares of CPC from Orient Success International Limited (“OSIL”), an indirectly subsidiary of Charoen Pokphand Group Company Limited (“CPG”), with the total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share. After the Transaction, CPC and its subsidiary will become an indirect subsidiary of CPF through CPFI which will hold 100.0% of total issued and paid-up shares of CPC (before the Transaction, CPFI hold 25.0% of total issued and paid-up shares). The acquisition of CPC’s shares is considered as the connected Transaction as OSIL are considered as related persons in accordance with the Notification of the Capital Market Supervisory Board and the Notification of the Board of Governors of the Stock Exchange of Thailand.

The Board of Directors Meeting of the Company considered and viewed that the Transaction is reasonable and beneficial to CPF group as Cambodia’s agro-industrial market has strong growth potential. In addition, CPC has its capability to expand its food business. Over the past 4 years, CPC’s net profit has been increased continuously with CAGR (2011 – 2014) of 30.3%.<sup>4</sup>

Graph 2-1 The Structure of the Acquisition of CPC’s share



<sup>4</sup> Calculation is based on consolidated financial statement of CPC



## 2.2. Transaction date

CPFI will purchase CPC's 10,050 ordinary shares (75.0% of total issued and paid-up shares) with the total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share from OSIL within second quarter of 2015 approximately.

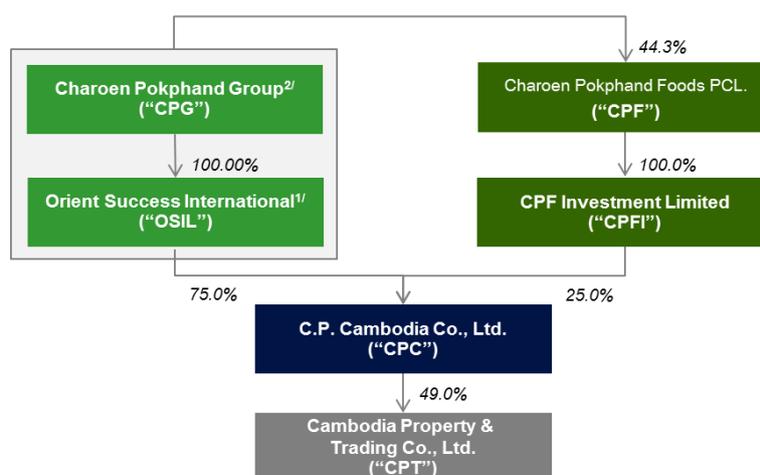
## 2.3. Parties involved and their relationships with CPF

Buyer	<p>CPF Investment Limited ("CPFI")</p> <p>(CPFI is a subsidiary of CPF which hold 100.0% of total issued and paid-up shares)</p>
Seller	<p>Orient Success International Limited ("OSIL")</p> <p>(OSIL is an indirect and wholly-owned subsidiary of CPG – see Note 1/)</p>
No. of shares of the Transaction	10,050 ordinary shares, or equivalent to 75.0% of total issued and paid-up shares)
Value of the Transaction	Total consideration of THB 2,850.0 million, or equivalent to THB 283,582.1 per share
Characteristic and scope of interest of the connected person	<p>OSIL is a connected person with CPFI as both OSIL and CPFI has CPG as their major shareholder. CPG is held by Chearavanont family (see Note 2/) and major shareholder of CPF with 44.3% of total issued and paid-up shares (both direct and indirect holdings). (information as at 13 March 2015)</p> <p>Mr. Dhanin Chearavanont is Director of CPF, and also a major shareholder of CPG. Mr. Presert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul and Mr. Phongthep Chiaravanont are Directors of CPF and CPG. Mr. Adirek Sripratak is Director of CPF and CPC (see details in Note 3/).</p> <p>Thus, the acquisition of CPC shares is considered as the connected Transaction in accordance the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendment hereto) and the Notification of the Board of Governors of the Stock Exchange of Thailand No. BorChor./Por 22-01 Re: Disclosure of Information and Other Acts of Listed Companies Concerning the</p>



Connected Transactions B.E. 2546 dated 19 November 2013. The total consideration of the Transaction is THB 2,850.0 million representing 5.5% of Net Tangible Assets (“NTA”) based on the financial information as at 31 December 2014. Since the Transaction value is over THB 20.0 million and over 3.0% of NTA, as a result, CPF shall disclose the Transaction information in order to seek an approval from its shareholders.

Graph 2-2 Relationship Structure



Source: Company's Information, Form 56-1 in 2013, Business Online

Note:

- 1/ Established on 9 August 2009, OSIL is CPG's subsidiary, engaging in investment business. Currently, OSIL has total issued and paid-up shares of 812,328,000 shares at par value of USD 1.0 per share. CPG Overseas Company Limited is a major shareholder holding 100.0% of total issued and paid-up shares of OSIL.  
CPG Overseas (formerly name C.P. International Investment Limited) is wholly-owned subsidiary of CPG.
- 2/ Established on 23 September 1976, CPG engaged in investment business as well as importing and distribution of chemical products and providing technical services, with Chearavanont family as major shareholders. Top ten major shareholders of CPG are as follows: Mr. Sumet Jiaravanon 13.0%, Mr. Dhanin Chearavanont 13.0%, Mr. Jaran Chiaravanont 12.8%, Mr. Montri Jiaravanont 12.6%, Mr. Kiat Chiaravanont 5.8%, Mr. Phongthep Chiaravanont 3.7% and Mrs. Yupa Chiaravanond, Mr. Prathip Chiravanond, Mrs. Phataneek Lekrisompong, Mr. Vajarachai Chiaravanond, Mr. Manu Chiaravanond and Mr. Manas Chiaravanond 3.6% each.
- 3/ Table below illustrates percent of shareholding and position of CPF's Director in other companies.

	CPF		CPG		CPC
	% shareholding	Director	% shareholding	Director	Director
1. Mr.Dhanin Chearavanont (cousin of Mr.Phongthep)	-	✓	12.9582%	-	-
2. Mr.Adirek Sripratak <sup>1/</sup>	0.0497%	✓	0.2891%	-	✓
3. Mr.Prasert Poongkumarn (brother-in-law of Mr.Phongthep)	0.0016%	✓	1.8182%	✓	-
4. Mr.Min Tieworn	-	✓	3.6164%	✓	-
5. Mr.Chingchai Lohawatanakul	0.0869%	✓	0.5509%	✓	-



	CPF		CPG		CPC
	% shareholding	Director	% shareholding	Director	Director
6. Mr.Phongthep Chiaravanont (cousin of Mr.Dhanin and brother-in-law of Mr.Phongthep)	0.0103%	✓	3.6527%	✓	-

Source: Company's Information, Form 56-1 2013, Business Online

Note: 1/ Mr. Adirek Sripratak is appointed as Director of CPC as shareholder representative of CPF.

## 2.4. Details of acquisition assets

### 2.4.1. General Information

Company	C.P. Cambodia Company Limited ("CPC")				
Location	Angk Snuol district, Kandal province, Phnom Penh, Cambodia				
Business	Engaged in agro-industrial and food business including <ul style="list-style-type: none"> <li>● Feed business</li> <li>● Farm business</li> <li>● Food business</li> </ul>				
Website	<a href="http://www.cpcambodia.com.kh/">http://www.cpcambodia.com.kh/</a>				
Share capital <sup>5</sup>	Authorised and paid-up capital of USD 67,402,000.0 with 13,400 ordinary shares at par value of USD 5,030.0 per share				
Shareholding structure	Shareholding structure before and after the Transaction				
	Shareholders	Before the Transaction (As at 26 February 2015)		After the Transaction	
		Number of shares	% of ownership	Number of shares	% of ownership
	1. Orient Success International Limited	10,050.0	75.0	-	-
	2. CPF Investment Limited	3,350.0	25.0	13,400.0	100.0
	Total	13,400.0	100.0	13,400.0	100.0
	<i>Note: CPC is considered as foreign juristic person before and after the Transaction.</i>				
Director	Mr. Adirek Sripratak	Director			
	Mr. Thirayut Phityaisarakul	Director			
	Mr. Montri Suwanposri	Director			
	Mr. Sakol Cheewakoset	Director			

<sup>5</sup> Source: Corporate documents of CPC




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	Mr. Supakitti Bunvet	Director
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#### 2.4.2. History

CPC was established as a private company under Cambodian law on 19 April 1996 to operate an agro-industrial and food business in Cambodia including feed business, farm business and food business with established share capital of USD 5,030,000.0.

CPG expanded its business to Cambodia because of CPG saw that there was a continuous increase in meat consumption demand while domestic supply cannot match, hence, Cambodia has its necessity to import swine, poultry and other livestock animals from neighbor countries such as Thailand and Vietnam. Moreover, Cambodian government also has policy to support agro-industrial sector domestically (more than 70.0% of Cambodia population is engaged in agricultural industry), for example, producers are granted BOI tax privilege for imported machines while foreign investors can also invest in Cambodia's agricultural industry for 100.0%. These factors have drawn in more foreign investors to Cambodia in the recent years.

CPG Group is one of the first agro-industrial & food players who expand their business to Cambodia in 1996, the period before Cambodia participates in AEC. The feed mill plant was set up in Kandal province, Phnom Penh and support local swine and poultry farms nearby. After that, farm and food businesses are continuously growing which partially supported by strategic farms programs that support local farmers, resulting in its business expansion as well as increasing feed demand in the market.

In 2011, CPF bought CPC's newly-issued 1,475 shares at USD 11,030.0 per share, accounted for USD 16,269,250.0 or THB 494,910,585.0, which increase CPF's ownership over CPC of 25.0% of total issued and paid-up shares at that time. Capital raised was used in CPC business expansion. In 2013, CPF had done its group's restructuring and transferred total CPC's ordinary shares amount to CPF<sup>6</sup> (CPF's subsidiary)

In 2014, feed-mill plant's capacity is approximately 318,000 tons per year where feeds produced are used mostly in CPC's farms (including its strategic farms), and sold to external farms. For farm business, CPC was able to sell its farming products around 75.0 million tons per year. Moreover, CPC has invested in meat processing factory in Kandal province, Phnom Penh which can produce and sold up to 2,600 tons per year.

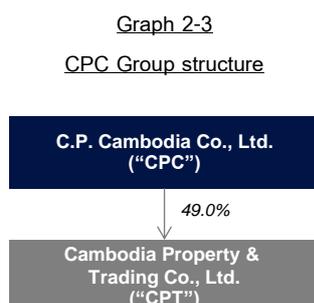
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<sup>6</sup> CPF<sup>6</sup> is an investment company registered in British Virgin Island with share capital of USD 1,200 million and is 100.0% held by CPF.



In 2014, total revenue of CPC (from feed, farm and food businesses) is equal to KHR 1,025.8 billion, or an approximate of THB 8.3 billion with proportion of feed business : farm business : food business : Other revenue of 18 : 77 : 3 : 2, respectively.

Apart from agro-industrial and food industry, CPC has established Cambodia Property & Trading Company Limited (“CPT”) on 26 July 1996 by investing in 49.0% of total KHR 20.0 million share capital. CPT was set up to invest in Cambodian lands and buildings<sup>7</sup> and mainly rent out to CPC.



CPT Overview				
Company	Cambodia Property & Trading Co., Ltd. (“CPT”)			
Location	Angk Snuol district, Kandal province, Phnom Penh, Cambodia			
Business	Investments in properties			
Share capital <sup>8</sup>	Authorized and paid-up capital of KHR 20,000,000.0 with 1,000 ordinary shares at par value of KHR 20,000.0 per share			
Shareholding structure	Shareholding structure as at 31 December 2014			
	Shareholders	Number of shares	% of ownership	
	1. CPC	490	49.0	
	2. Mr. Chin Chanthol	260	26.0	
	3. Mr. Mut Pisith	250	25.0	
Total	1,000	100.0		
Director	Mr. Supakitti Bunvet	Director		
	Mr. Mut Pisith	Director		
Financial Highlight	Audited financial statements by KPMG Cambodia Ltd.			
Unit: KHR billion	2011	2012	2013	2014
Assets	3.0	33.0	61.6	32.8
Liabilities	1.6	14.9	43.2	30.1
Equity	1.5	18.2	18.4	2.8
Total revenue	0.2	7.9	3.4	5.6
Net profit	0.4	6.1	0.2	0.9

<sup>7</sup> By Cambodian law, Properties in Cambodia must be held at least 51% of paid-up shares by Cambodians.

<sup>8</sup> Source: Corporate documents of CPT

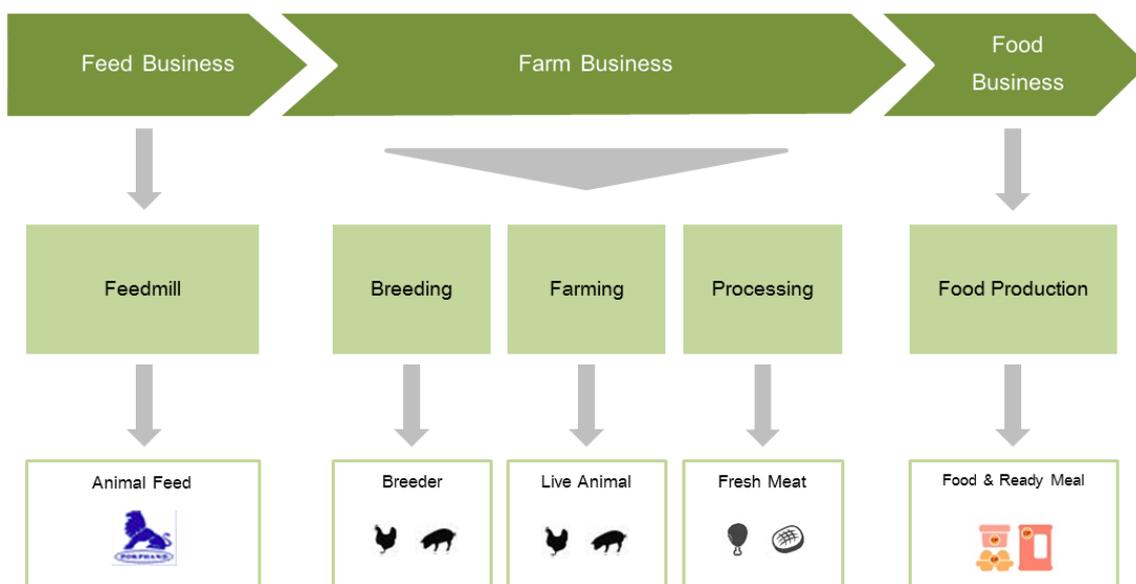


### 2.4.3. CPC Business Description

#### 1. Overview

CPC is engaged in agro-industrial & food industry including (a) feed business (b) farm business (breeding and farming) and (c) food business as shown in the following graph.

**Graph 2-4 Business Structure**



#### 2. Revenue Structure

In the past 3 years, CPC group’s, consisting of CPC and CPT, farm business contributed to more than 70.0%, on average, of total revenue each year. In 2014, total revenue of CPC is equal to KHR 1,025.8 billion, or an approximate of THB 8.3 billion. Farm business is still major contribution of 77.0% of total revenue, followed by feed business with a portion of 17.9% from total revenue.

**Table 2-1 Revenue Structure of CPC Group**

	2011		2012		2013		2014	
	KHR billion	%	KHR billion	%	KHR billion	%	KHR billion	%
Feed business	187.5	32.0%	207.8	29.1%	164.2	18.2%	184.0	17.9%
Farm business - Poultry	157.7	26.9%	166.4	23.3%	169.6	18.8%	187.6	18.3%
Farm business – Swine	213.9	36.5%	307.7	43.1%	525.9	58.2%	601.9	58.7%
Food business	9.3	1.6%	20.0	2.8%	24.8	2.7%	26.9	2.6%
Other revenue <sup>1/</sup>	18.0	3.1%	12.2	1.7%	19.3	2.1%	25.4	2.5%
<b>Total</b>	<b>586.4</b>	<b>100.0%</b>	<b>714.2</b>	<b>100.0%</b>	<b>903.9</b>	<b>100.0%</b>	<b>1,025.8</b>	<b>100.0%</b>

Source: CPC

Note: <sup>1/</sup> Other revenue consisted mainly of veterinary drug and equipment sales



### 3. Product Overview

#### Feed business

CPG Group is one of the first agro-industrial & food players who expand their business to Cambodia in 1996. The first feed mill plant was set up in Kandal province, 18.0 kilometers from Phnom Penh (Cambodia's capital city), which operates by CPC. Currently, the factory's capacity is approximately 318,000 tons per year where feeds produced are used in CPC's farms (including its strategic farms), and sold to external farms. In 2014, revenue from feed business accounted for 17.9% of total revenue.

CPC produces animal feeds for livestock under brands such as Hi-GRO , focusing on swine and poultry feeds. Animal feeds are sold through CPC's representative offices in each area, distributors as well as sold to direct farms.

CPC places significant on modern technology into the production improvement process. Its feed mill plant is equipped with a laboratory and testing facilities to check the quality of raw materials before they are utilized in the manufacturing process. All production processes are computer controlled to ensure the uniformity of quality and compliance with international standards. As a result, CPC is able to produce feed of a high quality and with low feed conversion ratio to help farmers reduce their farming costs as well as to gain competitiveness in the market.

CPC produces its animal feed according to each livestock type and each level of age of animals whereby CPC places significant importance on traceability ensuring the source and quality of raw materials. CPC's procurement policy also accords priority to domestic raw material producers (such as corn and cassava) to support local farmers, and also to minimize transport costs as well as raw materials (such as soybean) are imported. Moreover, CPC also places its importance on the ingredients development to support animals' growth as well as the raw materials traceability to ensure products' quality meet international standard.

As at 31 December 2014, Phnom Penh feed mill plant's maximum capacity is approximately 318,000 tons per year. Within the next 5 years, CPC plans to double its capacity to support a growth in farm business as well as the demand growth of feed products in Cambodia market.

#### Farm business

CPC is a market leader in farm business in Cambodia. Its farm business is contained of (1) breeding and (2) farming of swine, broilers, native broilers, and basic meat processing. In 2014, revenue from farm business accounted for KHR 789.5 billion, or equal to THB 6.4 billion, representing 77.0% of total revenue. The sale proportion of swine to poultry is 76.2 to 23.8.



CPC has applied modern farming management to its agro-industrial business, for example, close-environment breeding farm with bio-security systems, automatic feeding machines and clean farm system to protect the environment.

CPC also has developed strategic farming program in order to support its farm business whereby CPC provides its animals, feeds and drugs to farmers who enter the program as well as farming knowledge and techniques. On the other hand, those farmers will receive compensations in return. In 2014, CPC was able to sell its farming products around 75.0 million tons per year. Such products are distributed and sold to market across the country, wholesalers and slaughters. In addition, CPC also provide basic meat processing products to the market.

However, swine and poultry product in Cambodia is not sufficient enough for domestic demand, resulting in import of such product every year. Moreover, Cambodia's meat consumption is still low compared to other neighboring countries such as Thailand, Laos and Vietnam. Hence, from this opportunity, CPC plans to expand its farm capacity to serve Cambodia's meat consumption growth in the future.

#### Food business

Main products of food business are additional processing to produce cooked, partially-cooked and ready-to-eat food products such as sausages, fried chicken, and chicken rolls. CPC also develops its products' tastes to meet the local consumers' preferences. Currently, food business capacity is approximately 7,500 tons per year.

CPC places the utmost importance on product quality in terms of quality of raw materials and standard production process. The products are sold under brand  to ensure its tastes, quality and safety production process. Currently, CPC sells its products through (a) traditional trades (b) modern trades such as department stores, super stores and (c) food services such as kiosks and restaurants. In 2014, revenue from food business accounted for KHR 26.9 billion, representing 2.6% of total revenue.

#### 4. CPC Group's historical operational and financial performance

IFA based the analysis of CPC Group's (CPC and its subsidiary, CPT) historical operational and financial performances on consolidated financial statements of CPC audited by CPC's auditor according to the guideline specified by CPF.



### Key financial figures from CPC Group's consolidated financial statement

- Consolidated Statement of Comprehensive Income

	2011		2012		2013		2014	
	KHR billion	%						
Net sales	586.4	100.0%	714.2	100.0%	903.9	100.0%	1,025.8	100.0%
Cost of sales	(492.2)	(83.9%)	(652.1)	(91.3%)	(784.1)	(86.7%)	(821.6)	(80.1%)
Gross profit	94.3	16.1%	62.0	8.7%	119.8	13.3%	204.2	19.9%
Other incomes	1.3	0.2%	1.4	0.2%	0.8	0.1%	0.5	0.1%
SG&A expenses	(42.5)	(7.2%)	(52.5)	(7.4%)	(68.6)	(7.6%)	(83.8)	(8.2%)
EBIT	53.2	9.1%	10.9	1.5%	52.1	5.8%	120.8	11.8%
Financial cost	(0.8)	(0.1%)	(3.1)	(0.4%)	(6.6)	(0.7%)	(5.0)	(0.5%)
EBT	52.3	8.9%	7.8	1.1%	45.5	5.0%	115.8	11.3%
Income Tax	(10.6)	(1.8%)	(1.8)	(0.2%)	(9.4)	(1.0%)	(23.5)	(2.3%)
Net profit	41.7	7.1%	6.1	0.8%	36.1	4.0%	92.3	9.0%
Less: Minority interests	0.2	0.0%	0.2	0.0%	0.1	0.0%	0.5	0.0%
Net profit attributable to equity holder of the company	41.5	7.1%	5.8	0.8%	36.0	4.0%	91.8	9.0%

Source: Consolidated financial statements of CPC audited by CPC's auditor according to the guideline specified by CPF

- Consolidated Statement of Financial Position

	31 Dec 2011		31 Dec 2012		31 Dec 2013		31 Dec 2014	
	KHR billion	%						
<b>Assets</b>								
Cash & cash equivalents	15.1	4.3%	6.7	1.4%	13.5	2.8%	12.9	2.3%
Account receivables – trade & others	21.5	6.1%	25.7	5.5%	20.0	4.1%	38.2	6.7%
Inventories	141.5	40.0%	94.0	20.3%	77.0	15.7%	104.6	18.5%
Biological assets <sup>1/</sup>	-	-	118.9	25.7%	105.2	21.5%	128.4	22.7%
Other current assets	10.7	3.0%	12.4	2.7%	12.6	2.6%	17.1	3.0%
<b>Total current assets</b>	<b>188.7</b>	<b>53.5%</b>	<b>257.7</b>	<b>55.6%</b>	<b>228.4</b>	<b>46.7%</b>	<b>301.3</b>	<b>53.2%</b>
Biological assets	65.2	18.5%	59.4	12.8%	59.8	12.2%	72.1	12.7%
Property, plant and equipment	98.0	27.8%	144.3	31.1%	198.4	40.6%	189.9	33.5%
Other non-current assets	1.1	0.3%	2.0	0.4%	2.3	0.5%	2.9	0.5%
<b>Total non-current assets</b>	<b>164.3</b>	<b>46.5%</b>	<b>205.7</b>	<b>44.4%</b>	<b>260.5</b>	<b>53.3%</b>	<b>264.9</b>	<b>46.8%</b>



	31 Dec 2011		31 Dec 2012		31 Dec 2013		31 Dec 2014	
	KHR billion	%						
<b>Total assets</b>	<b>353.0</b>	<b>100.0%</b>	<b>463.3</b>	<b>100.0%</b>	<b>488.9</b>	<b>100.0%</b>	<b>566.2</b>	<b>100.0%</b>
<b>Liabilities</b>								
Bank OD and short-term loans from financial institutions	-	-	4.7	1.0%	1.2	0.2%	4.1	0.7%
Promissory note	-	-	159.7	34.5%	143.0	29.3%	165.4	29.2%
Account payable – trade & others	45.2	12.8%	33.9	7.3%	40.8	8.4%	55.5	9.8%
Short-term loans from related parties	-	-	7.2	1.6%	9.1	1.9%	-	-
Short-term loans from other parties	60.5	17.1%	-	-	-	-	-	-
Other current liabilities	8.8	2.5%	6.2	1.3%	7.0	1.4%	22.7	4.0%
<b>Total current liabilities</b>	<b>114.5</b>	<b>32.4%</b>	<b>211.7</b>	<b>45.7%</b>	<b>201.2</b>	<b>41.1%</b>	<b>247.6</b>	<b>43.7%</b>
Deferred tax liabilities	2.6	0.8%	4.1	0.9%	4.1	0.8%	-	-
<b>Total non-current liabilities</b>	<b>2.6</b>	<b>0.8%</b>	<b>4.1</b>	<b>0.9%</b>	<b>4.1</b>	<b>0.8%</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>117.2</b>	<b>33.2%</b>	<b>215.8</b>	<b>46.6%</b>	<b>205.3</b>	<b>42.0%</b>	<b>247.6</b>	<b>43.7%</b>
<b>Shareholders' equity</b>								
Share capital	146.9	41.6%	187.1	40.4%	187.1	38.3%	268.8	47.5%
Premium of share capital	40.7	11.5%	43.5	9.4%	43.5	8.9%	35.5	6.3%
Retained earnings	42.1	11.9%	7.8	1.7%	43.8	8.9%	12.9	2.3%
<b>Total shareholders' equity before minority interests</b>	<b>229.7</b>	<b>65.1%</b>	<b>238.3</b>	<b>51.4%</b>	<b>274.3</b>	<b>56.1%</b>	<b>317.2</b>	<b>56.0%</b>
Minority interests	6.2	1.7%	9.3	2.0%	9.4	1.9%	1.4	0.2%
<b>Total shareholders' equity</b>	<b>235.8</b>	<b>66.8%</b>	<b>247.6</b>	<b>53.4%</b>	<b>283.7</b>	<b>58.0%</b>	<b>318.6</b>	<b>56.3%</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>353.0</b>	<b>100.0%</b>	<b>463.3</b>	<b>100.0%</b>	<b>488.9</b>	<b>100.0%</b>	<b>566.2</b>	<b>100.0%</b>

Source: Consolidated financial statements of CPC audited by CPC's auditor according to the guideline specified by CPF

Note: 1/ There is no biological assets in 2011 because CPC has started to separate its biological assets from inventories in 2012.



- Financial ratio<sup>1/</sup>

	2011	2012	2013	2014
<b>Liquidity ratio</b>				
Current ratio (times)	1.65	1.22	1.14	1.22
Quick ratio (times)	0.32	0.15	0.17	0.21
Account receivable day (days)	13	13	8	14
Inventory day (days) <sup>2/</sup>	57	53	36	46
Account payable day (days)	34	19	19	25
Cash Cycle (days)	37	47	25	35
<b>Profitability ratio</b>				
Gross profit margin (%)	16.1%	8.7%	13.3%	19.9%
Operating profit margin (%)	8.8%	1.3%	5.7%	11.7%
Net profit margin (%)	7.1%	0.8%	4.0%	9.0%
Return-to-equity (%)	17.6%	2.4%	12.7%	28.8%
<b>Efficiency ratio</b>				
Assets turnover (times)	1.66	1.54	1.85	1.81
<b>Financial policy ratio</b>				
Debt-to-equity ratio (times)	0.50	0.87	0.72	0.78
Interest coverage ratio (times)	61.95	3.08	7.77	23.92

Note: 1/ Calculated from consolidated financial statements of CPC audited by CPC's auditor according to the guideline specified by CPF

2/ Inventory day in 2011 is calculated from inventories deducted by work in progress & livestock from note to financial statement of CPC in 2012.

### Summary of historical financial performances

- Financial performances

#### Revenue

Operating revenues of CPC and its subsidiary ("CPT") (refer as "CPC Group") is totally from CPC's operations. In 2011 – 2014, CPC had the total revenue of KHR 586.4 billion, KHR 714.2 billion, KHR 903.9 billion and KHR 1,025.8 billion, respectively, or with the CAGR (2011 – 2014) of 20.5%. The increasing in operating revenues was mainly driven by revenue growth from swine farm business and food business. In 2014, revenue structure of CPC was consisted of feed business, farm business and food business with proportions of 17.9%, 77.0% and 2.6% of total revenue, respectively.

**Table 2-2 Revenue structure of CPC Group in 2011 - 2014**

	2011		2012		2013		2014	
	KHR billion	%	KHR billion	%	KHR billion	%	KHR billion	%
Feed business	187.5	32.0%	207.8	29.1%	164.2	18.2%	184.0	17.9%
Farm business - Poultry	157.7	26.9%	166.4	23.3%	169.6	18.8%	187.6	18.3%
Farm business – Swine	213.9	36.5%	307.7	43.1%	525.9	58.2%	601.9	58.7%
Food business	9.3	1.6%	20.0	2.8%	24.8	2.7%	26.9	2.6%
Other revenue <sup>1/</sup>	18.0	3.1%	12.2	1.7%	19.3	2.1%	25.4	2.5%
<b>รวม</b>	<b>586.4</b>	<b>100.0%</b>	<b>714.2</b>	<b>100.0%</b>	<b>903.9</b>	<b>100.0%</b>	<b>1,025.8</b>	<b>100.0%</b>

Source: CPC

Note: 1/ Other revenue consists mainly of vet drug and equipment sales.

(1) Feed business had negative CAGR (2011 – 2014) of -0.6%. In 2012, revenue from feed business increased 10.8% from 2011 supported by an increase in feed capacity which resulted in an increase in sales volume to external farms. However, in 2013 – 2014, revenue from feed business tended to decline because feeds produced were primarily used to CPC's farms and its strategic farms to support CPC's expansion in farm business.

(2) Revenue growth from farm business was a major driver of CPC's total revenue growth whereas farm business's CAGR (2011 – 2014) of 28.6% was primarily driven by swine farm business. 4-year average proportion of revenues from swine to poultry was 68.6 to 31.4.

In 2012, an increase in farm business revenue of 27.6% from 2011 was mainly driven by an expansion of swine capacity, resulted in 77.7% increase in sales volume. While in 2013, farm business revenue growth continued as a result of (1) 6.4% increase in average swine price due to decreasing supply in Cambodia and (2) 60.6% increase in sales volume from increasing numbers of distribution centers in various areas of Cambodia to expand CPC's customer base. In 2014, farm business revenue continued to increase with a growth rate of 14.5% due to an increase in average swine price of 15.8% as Cambodia's declining supply from lower swine volume imports from Thailand and Vietnam. For poultry farm business, its revenue also increased continuously with CAGR (2011 – 2014) of 6.0%.

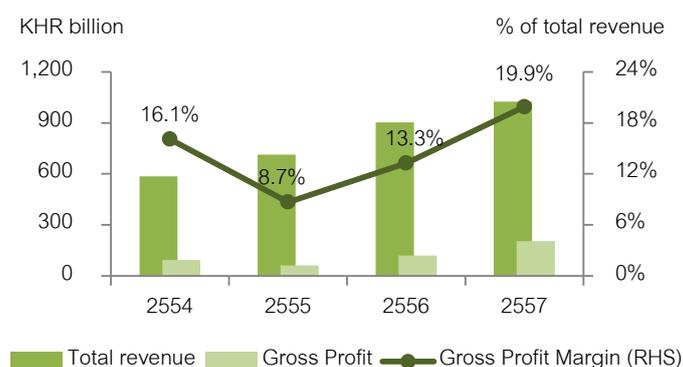
(3) Revenue from food business consists of sales from processed meats, such as sausages, pork rolls and chicken rolls. Food business's significant CAGR (2011 – 2014) of 42.6% was because the customer base was still small, together with CPC customer base expansion in the past 4 years, causing food business to have higher growth compared to other businesses.



(4) Other revenue of CPC group mainly consisted of vet drugs and equipment sales. In the past 4 years, other revenue contributed to 2.3% of total revenue, on average. In 2014, other revenue were KHR 25.4 billion, representing 2.5% of total revenue in the same year.

#### Gross Profit Margin

**Graph 2-5 Revenue, Gross profit and Gross profit margin of CPC Group in 2011 - 2014**



4-year average gross profit margin was accounted for 14.5% of total revenue. In 2012, CPC's gross profit margin dropped to its lowest point of 8.7% because oversupply of swine in the local market caused average swine price dropping. However, average swine prices in 2013 and 2014 has continuously recovered (as stated in revenue part), together with a small increase in costs, resulting in an increasing gross profit margin of 19.9% in 2014.

#### Other Incomes

Apart from CPC's main operations, other incomes of CPC consisted of rental income from CPT's investment properties, gain on disposal of investments and fixed assets and interest income.

#### Selling General and Administration Expenses (SG&A Expenses)

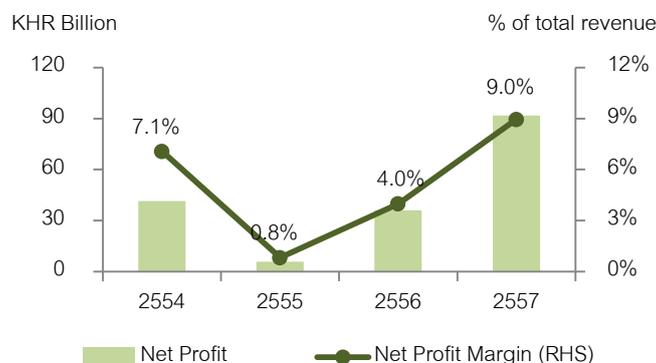
In 2011 – 2014, SG&A expenses were KHR 42.5 billion, KHR 52.5 billion, KHR 68.6 billion and KHR 83.8 billion, respectively, or accounted for 4-year average of 7.6% of total revenue. SG&A expenses increased slightly in the past 4 years due to an increase in freight charges from a transportation of farm products to each distribution center in different areas.

In addition, CPC's expenses also included interest expense of CPC's promissory notes from financial institutions, representing 0.4% of total revenue. The promissory notes were 3-month maturity with averaged interest rate of 3.4%. Moreover, corporate income tax expense of CPC accounted for 21.0% of its earning before tax (EBT) in 2011 – 2014.



## Net Profit

Graph 2-6 Net profit and Net profit margin of CPC group in 2011 - 2014



Net profit of CPC in 2011 – 2014 was KHR 41.5 billion, KHR 5.8 billion, KHR 36.0 billion and KHR 91.8 billion, respectively. Net profit margin in the same years accounted for 7.1%, 0.8%, 4.0% and 9.0% of total revenue, respectively, with the average margin of 5.2% of total revenue.

- Financial Position

### Assets

Total assets of CPC Group increased from KHR 353.0 billion at the end of 2011 to KHR 566.2 billion at the end of 2014, representing CAGR (2011 – 2014) of 17.1%. Such growth was driven by increasing in fixed assets from capacity expansion as well as increasing in account receivables, inventories and current biological assets from its business expansion.

At the end of 2011, total assets of CPC Group were KHR 353.0 billion and increased to KHR 463.3 billion at the end of 2012, representing a growth of 31.3% which was a result of increasing current biological assets from CPC's capacity expansion. Moreover, to support Cambodia domestic demand through its capacity expansion, CPC purchased more swine and poultry breeders, causing an increase in non-current biological assets for 13.1% of total assets at the end of 2011.

At the end of 2012, total assets of CPC Group were KHR 463.3 billion and increased to KHR 488.9 billion at the end of 2013. Total assets were divided into current assets of KHR 257.7 billion and KHR 228.4 billion and non-current assets of KHR 205.7 billion and KHR 260.5 billion at the end of 2012 and 2013, respectively. At the end of 2013, current assets decreased by 19.5% of total assets compared to the previous year due to decreasing in inventories and current biological assets of 3.7% and 3.0% of total assets, respectively. This caused by higher inventory turnover as a result of CPC's increasing sales channels and improving in inventory control, as seen in decreasing inventory day of 53 days in 2012 to 36 days in 2013. However, on a contrary, non-current assets of CPC increased for 11.8% of total assets at the end of 2012 due to capacity increased from its 3 businesses, resulting in 11.7% increase of its property, plant



and equipment over total assets compared to the previous year. Therefore, total assets increased 5.5% at the end of 2013.

At the end of 2014, total assets of CPC Group increased to KHR 556.2 billion, or 15.8% increase from the previous year. Current assets were KHR 301.3 billion, increased for 14.9% over total assets at the end of 2013 due to increasing inventories and current biological assets as a result of higher feed and poultry sales volumes, while non-current assets were KHR 264.9 billion, increased slightly for 0.9% over total assets at the end of 2013.

Table 2-3 Cash Cycle of CPC Group in 2011 - 2014

	2011	2012	2013	2014
Account receivable day (days)	13	13	8	14
Inventory day (days)	57	53	36	46
Account payable day (days)	34	19	19	25
<b>Cash Cycle (days)</b>	<b>37</b>	<b>47</b>	<b>25</b>	<b>35</b>

Note: Calculated from consolidated financial statements of CPC audited by CPC's auditor according to the guideline specified by CPF

Cash Cycle decreased from 37 days in 2011 to 35 days in 2014 due to CPC's increasing sales channels which caused higher inventory turnover and better cash flow management as seen in decreasing inventory day from 57 days in 2011 to 46 days in 2014. However, account payable days also decreased from 34 days in 2011 to 25 days in 2014 from decreases in CPC's feed raw materials, equipments and machines.

### Liabilities

CPC's total liabilities increased from KHR 117.2 billion at the end of 2011 to KHR 247.6 at the end of 2014, representing a CAGR (2011 – 2014) of 28.3%. Increase or decrease in total liabilities each year was mainly driven by value of CPC's promissory notes borrowed from financial institutions for its operational working capital. The promissory notes were 3-month maturity with averaged interest rate of 3.4%. At the end of 2012, 2013 and 2014, promissory notes increased for 45.2%, decreased for 3.6% and increased for 4.6% over total assets at the end of 2011, 2012 and 2013, respectively. The movements of promissory notes were positively correlated to increase or decrease in current assets of CPC at the same period.



Table 2-4 Current ratio and Debt-to-Equity ratio of CPC Group in 2011 - 2014

	2011	2012	2013	2014
Current ratio (times)	1.65	1.22	1.14	1.22
Debt-to-Equity ratio (times)	0.50	0.87	0.72	0.78

At the end of 2011 – 2014, CPC Group's 4-year average current ratio was 1.30 times. At the end of 2012, current ratio decreased as a result of increasing promissory notes in 2012, causing current liabilities to increase for KHR 159.7 billion. Slight decrease in current ratio at the end of 2013 was due to higher inventory turnover from CPC's increasing sales channels, while slight increase of current ratio at the end of 2014 was resulted from increasing feed and poultry sales volumes.

CPC's debt-to-equity ratio increased from 0.50 times at the end of 2011 to 0.78 times at the end of 2014 due primarily to increase in promissory notes in 2012 as stated earlier.

#### Shareholders' Equity

Shareholders' equity increased continuously over the past 4 years from KHR 235.8 billion at the end of 2011 to KHR 318.6 at the end of 2014, representing a CAGR (2011 – 2014) of 10.5%. A main driver of shareholders' equity growth was an increase in retained earnings from net profit each year. Increases in net profit each year also resulted in continuous increases in return-on-equity from 17.6% at the end of 2011 to 28.8% at the end of 2014.

In 2011, CPC issued new ordinary shares of 1,475 shares, representing 25.0% of total outstanding shares, and sold to CPF (currently held the shares by CPF). Moreover, CPC paid stock dividend in 2012 and 2014. Stock dividend of 2,000 shares was paid in 2012, equal to KHR 40.2 billion which was transferred from retained earnings to share capital, resulting in an increase in share capital from KHR 146.9 billion to KHR 187.1 billion. And in 2014, CPC paid stock dividend of 4,000 shares, accounted for a transfer of KHR 81.7 billion from retained earnings to share capital which resulted in an increase of share capital to KHR 268.8 billion at the end of 2014.

## 5. Cambodia Industry Outlook

### Economic overview

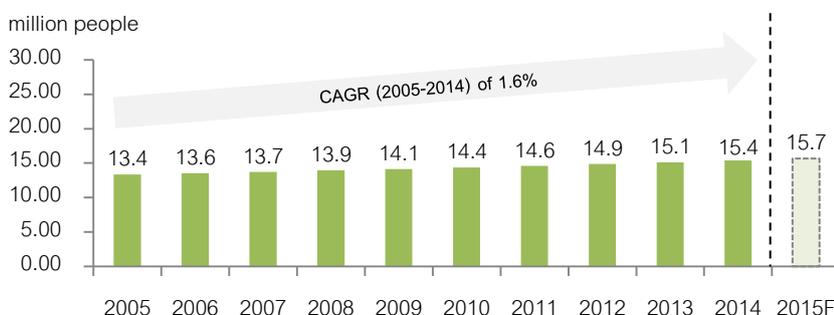
Cambodia is a country with an abundance of natural resources as well as natural and historical attractions which support tourism and generate major revenues to the country during the past years. Cambodia's economy has been growing steadily because of the political stability and its participation as a member of ASEAN in 1999, thus, creating foreign investors' confidence. In addition, Cambodia government has given an importance in promoting the economic activities over the country, and has created an



opportunity for further investment to foreign investors. Cambodia has advantage in low labor cost, plenty of natural resources, and taxation privilege on tariff deduction from developed countries such as EU and USA. These factors are able to enhance the country's competitiveness.

Cambodia's population has been increasing significantly from 13.4 million people in 2005 to 15.4 million people in 2014, representing CAGR (2005 – 2014) of 1.6%. World Bank has predicted that Cambodia population in 2015 shall be 15.7 million people, represents slightly growth of 1.75% compared to the last year. Most of the local people work in an agriculture sector which accounts for an approximate of 70.0% of the total population. By considering the country's geography and climate, Cambodia is considered as the major producer of raw materials, such as rice, cassava, corn and soybeans, which are the main raw materials of animal feed.

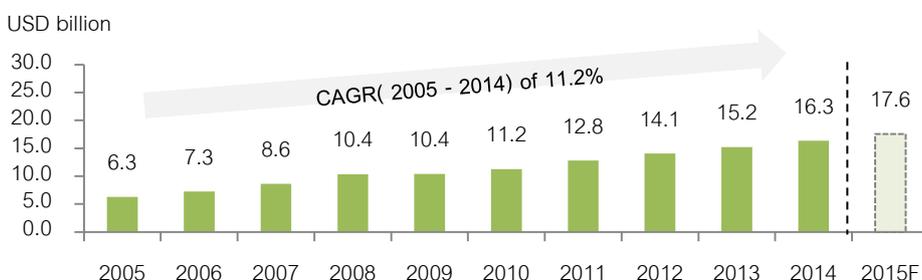
Graph 2-7 Cambodia population in 2005 - 2015



Source: World Bank

During 2005 – 2014, the Gross Domestic Product (GDP) in Cambodia increased from USD 6.3 billion in 2005 to USD 16.3 billion in 2014, representing CAGR of 11.2% due to the government support, increase in investment from foreign investors as well as the political stability in the country. The World Bank estimates that, Cambodia GDP will arrive at USD 17.6 billion by 2015, representing a 7.2% growth from the previous year (equal to the growth rate in 2014).

Graph 2-8 Cambodia Gross Domestic Products 2005 - 2015



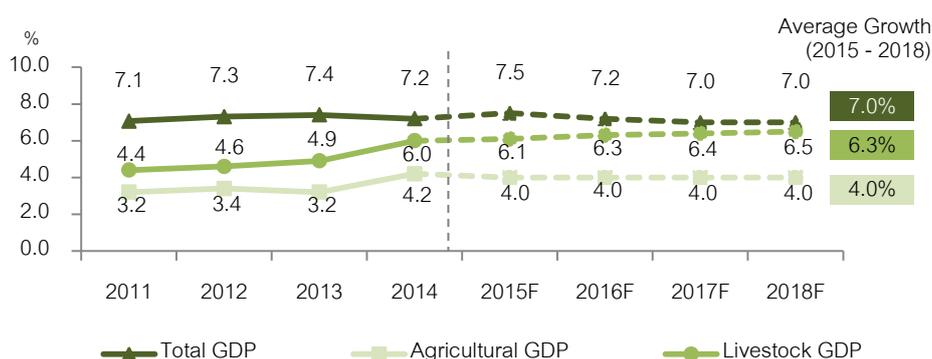
Source: World Bank

Agricultural industry, currently, has been counted as a major industry of the country. Nature of local farmers is to do small traditional agriculture, to produce mainly for their household



consumption, lack of knowledge and technology, and fund limitation for further investment. Therefore, the government has set up the policy to promote foreigner’s investment, especially in investing and developing of agricultural industry. According to the GDP data by Cambodia’s Ministry of Planning, Livestock GDP increased at average growth of 7.0% in 2011 – 2014, and expected to increase at 6.0% in 2015 which is closely to the total GDP at 7.2%. Moreover, Livestock GDP has estimated to continuously increase at the average growth rate of 6.3% per year during 2015-2018.

Graph 2-9 Cambodia Gross Domestic Product by Sector



Source: Ministry of Planning, Cambodia

Feed Business

Cambodia’s feed business has increased continuously due to the economic expansion that enhanced the growth in livestock sector, and also created the demand of animal feed. Therefore, there are new feed producers entering in the Cambodia market. As shown in the list of Cambodia Feed Producers, feed producers are mainly foreign investors like CPC, Betagro, China’s East Hope, etc. However, Cambodia still imports feed from neighbor countries, like Vietnam or Thailand.

Table 2-5 Lists of Cambodia Feed Producers

Lists of Producer		Country
<b>Foreign Producers</b>		
1.	C.P. Cambodia	Thailand
2.	Betagro	Thailand
3.	China’s East Hope	China
4.	Vietnam’s Green Feed	Vietnam
5.	China’s New Hope (Cambodia)	China
6.	Korea’s SCF (Cambodia)	Korean
<b>Domestic Producers</b>		
7.	Cambodia’s Master Feed	Cambodia



Lists of Producer		Country
8.	BVB	Cambodia
9.	M's Pig	Cambodia

Source: Argentine Beef Packers S.A., 2013

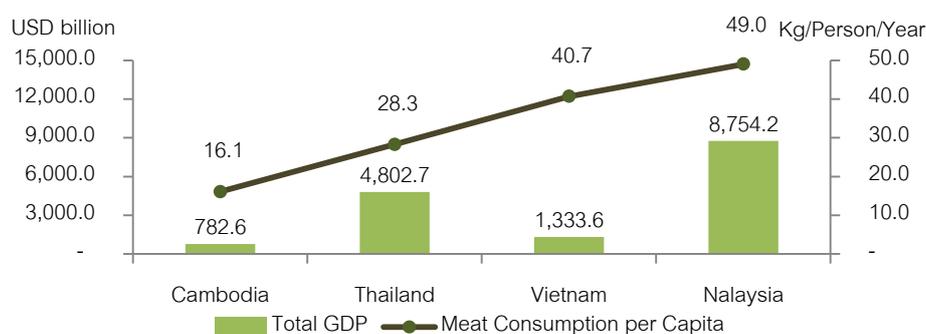
During 2009 - 2014, the domestic feed consumption has increased at the CAGR of 13.4%, whereby 2014 feed consumption was approximately 0.5 million tons. In order to estimate the growth of feed consumption during 2015 - 2018, we searched for the correlation between Livestock GDP growth rate (Independent Variable) and feed consumption growth rate during the period 2009 – 2014. This analysis has given the coefficient of 2.5 based on linear regression analysis. Therefore, the estimated feed consumption shall grow 15.5% – 16.5% during 2015-2018 comparing to Livestock GDP growth rate estimated by Ministry of Planning, Cambodia.

Livestock Industry

The type of Cambodian livestock farm can be divided into 3 types which are (1) Smallholder, opened system with few animals (2) Semi-Commercial, and (3) Commercial. The Semi-Commercial and Commercial Farm are for commercial purpose. These types of farms usually use technology or close system to feed animals, have an advantage on production expansion than other types because of no funding limitation, and also its production and products meet standard.

Poultry, cattle and swine are the main livestock in Cambodia, respectively. However, by analyzing consumption of terrestrial animals per capita, Cambodian prefers pork, beef and poultry, respectively. In 2010, Cambodian meat consumption per capita was equal to 16.1 kilograms; which is lower than its neighbor countries such as Thailand, Vietnam, and Malaysia that have the consumption per capita of 28.3 kilograms, 40.7 kilograms, and 49.0 kilograms, respectively. Nonetheless, the Cambodian meat consumption has expected to increase by increasing trend of purchasing power according to favorable economy.

Graph 2-10 Meat Consumption per Capita and GDP in each countries, 2010



Source: Ministry of Agriculture, Forestry and Fisheries, Cambodia, World Bank



### Poultry Business

The majority of poultry producers are smallholders that do their farms without farm management systems. This causes smallholders having higher cost compared to commercial producers like CPC, Ngee Heng Master Feed, SCF, etc.. Nevertheless, local poultry production has still not sufficient for domestic consumption, therefore, Cambodia has to import poultry products from neighbor countries such as Thailand or Vietnam. This import sometimes causes oversupply in the local market, and impacts price of broiler or price of chicken meat, and finally impacts to smallholders as the disadvantage on their production costs.

Cambodia poultry consumption still remains low compared to other types of meat. However, white meat consumption (like chicken meat) is more healthy and cheaper than other types of meat. Thus, Cambodian's consumption behavior has expected to shift to consume more poultry. In 2009 – 2014, the Cambodian's poultry consumption increased at the CAGR of 6.8%, whereby the preliminary poultry consumption estimated to be 22.8 million heads in 2014. In order to estimate the growth of feed consumption during 2015-2018, we searched for the correlation between Livestock GDP growth rate (Independent Variable) and poultry consumption growth rate during the period 2009 – 2014. This analysis has given the coefficient of 1.3 based on linear regression analysis. Therefore, the estimated poultry consumption shall grow 8.0 – 8.0% during 2015-2018 comparing to Livestock GDP growth rate estimated by Ministry of Planning, Cambodia.

### Swine Business

The swine business producer consists of many smallholders and commercial producers (such as CPC, Mong Rethy, BVB, Betagro, and etc.). In 2011, the swine production was affected by Swine flu or PRRS. This situation caused major impact on swine producers, especially to the smallholders, and swine production reducing during the past 3 - 4 years. On the other hand, commercial producers, who have advantage on production costs, have continuous increased their production in order to serve domestic demand. However, swine production is still not sufficient for domestic consumption. According to Cambodian Pig Raising Association, Cambodia imported approximately 1,000 swine per day from neighbor countries, such as Thailand, and Vietnam, in 2014.

Currently, swine is the most preferable meat to Cambodian compare to other terrestrial animals. In 2009 – 2014, Cambodia's swine consumption increased at the CAGR of 5.0%, whereby the preliminary swine consumption estimated to be 2.0 million heads in 2014. In order to estimate the growth of swine consumption during 2015-2018, we searched for the correlation between Livestock GDP growth rate (Independent Variable) and swine consumption growth rate during the period 2009 – 2014. This analysis has given the coefficient of 0.9 based on linear regression analysis. Therefore, the estimated swine consumption



shall grow 5.8-6.2% during 2015-2018 comparing to Livestock GDP growth rate estimated by Ministry of Planning, Cambodia.

## 2.5. Basis to determine Total Consideration of the Transaction

The value of the Transaction is determined based on an arm's length negotiation between buyer and seller referring to the fair value estimated by CPF's financial advisor with various methodologies which are widely used and internationally accepted consisting of EV-to-EBITDA Ratio, Price-to-Book Ratio and Discounted Cash Flow Approach (DCF).

## 2.6. The Transaction's size

### 2.6.1. The acquisition of assets

The acquisition of CPC's shares will make CPF held 100.0% stake in CPC's total issued and paid-up capital which is equivalent to USD 67,402,000.0. This Transaction is considered as an acquisition of assets in accordance with the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendment hereto) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Related to Acquisition and Disposal of Assets Transactions B.E. 2546 dated 19 November 2013. Calculation based on the financial information as at 31 December 2014 and in accordance with the required criteria, as a result, the highest Transaction size is 4.3% (Net profit criteria).

#### Summary Financial Information in 2014

(Unit: THB billion)

Item	CPF	CPC
Total assets	416.8	4.6
Intangible assets	65.4	-
Total liabilities	252.8	2.0
Minority interest	46.4	0.1
Net Tangible assets	52.1	2.5
Net profit	13.0	0.7

Note: 1/ Calculation is based on consolidated financial statement of CPF in order to reflect financial performance and position of CPF Group, including CPF and its subsidiary which is 100.0% owned by CPF.

2/ The Calculation is based on consolidated financial statement of each company.

3/ The Calculation is based on Thai baht term for comparing reason. The exchange rate as at end of 2014 is 123.46 KHR/THB (Source: Bank of Thailand).

4/ CPF has not acquire any assets in the past 6 months counting from 26 February 2015 (which is the date that Board of Directors of CPF deemed that the Transaction is appropriate to propose for its shareholders' approval).



The calculation of Transaction size relating to the acquisition of assets

Criteria calculation	Transaction size
NTA criteria	3.6%
Net profit criteria	4.3%
Total consideration criteria	0.7%
Total value of securities criteria	Not applicable for calculation

As there is no security issuance for payment of CPC share

Note: 1/ Each Transaction size number is shown in portion of 75.0% of the total Transaction size as this Transaction is 75% acquisition in CPC.

### 2.6.2. Connected Transaction

Apart from the acquisition Transaction as mentioned above, the Transaction between CPC and OSIL is considered as the connected Transaction because both parties has CPG as their indirectly major shareholder, referring to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendment hereto) and the Notification of the Board of Governors of the Stock Exchange of Thailand No. BorChor./Por 22-01 Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 dated 19 November 2013. The total consideration of the Transaction is THB 2,850.0 million, representing 5.5% of Net Tangible Assets ("NTA") based on the financial information as at 31 December 2014. This Transaction value is over THB 20.0 million and over 3.0% of NTA.

Even though the highest value of Transaction size regarding the acquisition of assets criteria is 4.3% (net profit criteria), however, this Transaction is considered to be the connected Transaction with Transaction size of 5.5% of CPF's NTA (as at 31 December 2014) which is higher than minimum requirement of the Notification of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand. As a result, this Transaction shall require the approval from CPF's shareholders with the vote of not less than three-fourth of the total votes of the Shareholders attending the meeting and having the rights to vote, excluding the shareholders who have a conflict of interest.

### 2.7. Source of fund

CPFI shall acquire 10,050 shares of CPC with total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share. The source of fund of this Transaction will be cash flow from CPF Group. As at 31 December 2014, cash and cash equivalent of CPF Group was THB 31,923.6 million (consolidated financial statement).



## 2.8. Terms and conditions

CPFI and OSIL agreed to pay for CPC's ordinary shares at amount equaled to THB 2,850.0 million in USD and CPFI will receive 10,050 shares from OSIL. This Transaction has expected to complete within the second quarter of 2015 (approximately). However, this Transaction shall receive an approval from shareholders with a majority vote of not less than three-fourth of the total votes of the Shareholders attending the meeting and having the rights to vote, excluding the shareholders who have a conflict of interest. The Annual General Meeting of Shareholders' of CPF will be held on 22 April 2015.



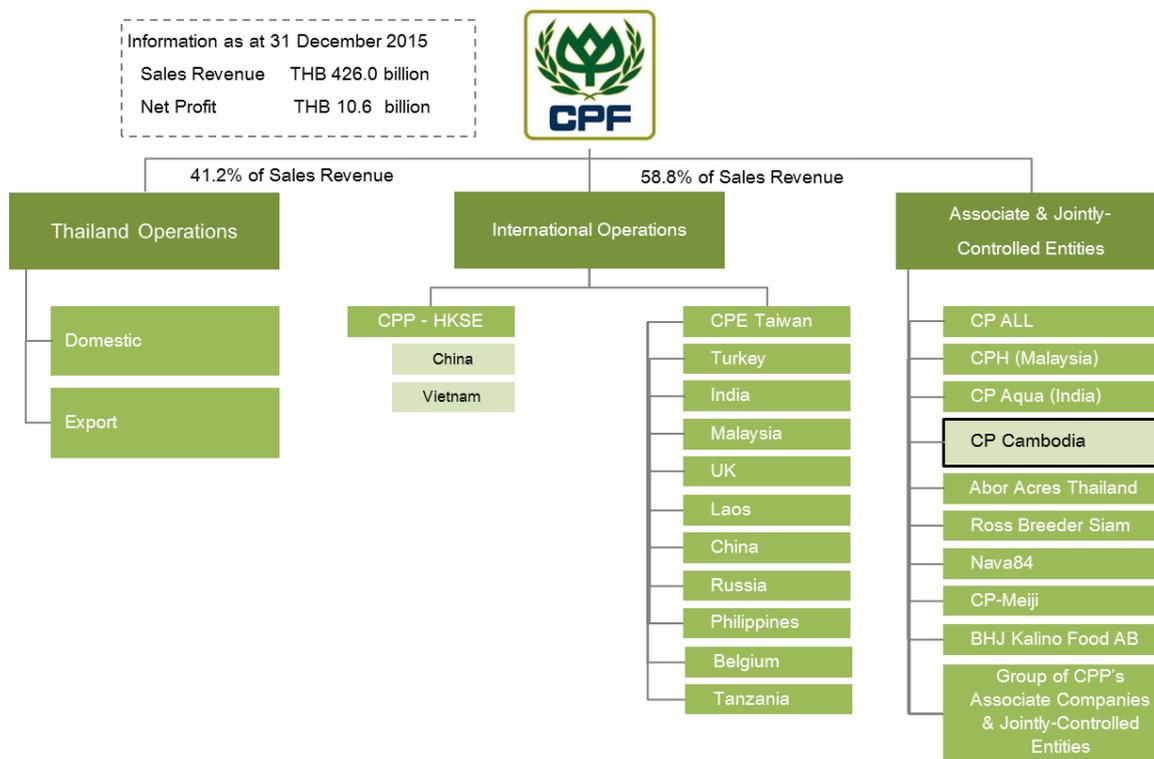
### 3. Company Information Summary

#### 3.1. Business Overview

CPF Group is an agro-industrial and food conglomerate which operates vertically integrated business incorporate (1) Feed Business (2) Farm Business – the manufacturing of animal breeding, animal farming and meat processing (3) Food Business – the manufacturing of semi-cooked meat, fully-cooked meat, food products and ready meal products, under the brand  and (4) Retail & Food Outlets through CPF Group’s food retailers and restaurant businesses.

CPF Group's business operation is illustrated as graph below.

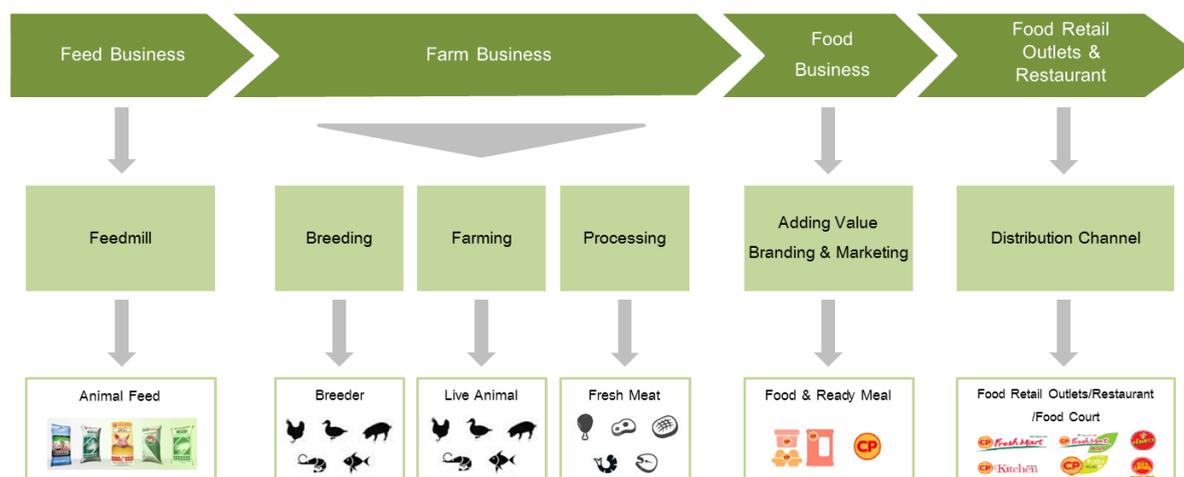
Graph 3-1 CPF Group Business Structure



#### 3.1.1. Thailand Operations

Thailand operations is a vertically integrated agro-industrial and food business in both domestic sales and export to overseas of fresh meat, processed meat and ready-meal under the brand  and the customers' brands to over 40 countries in five continents.

CPF's business operation in Thailand covers livestock and aquaculture including swine, broilers, layers, duck, shrimp and fish. CPF operates a vertically integrated business from manufacturing of animal feeds, animal breeding, animal farming, meat processing, semi-cooked and fully-cooked meat product, ready-meal products. In addition, CPF operates retail and food outlet business.



### 3.1.2. International Operations

CPF Group has expanded its operations to overseas with a strong determination to bring its knowledge of agro-industrial and food business in Thailand to be applied to other countries that has a potential in lifting up farming standard and efficiency in commercial agribusiness.

### 3.1.3. Revenue Structure

	2012		2013		2014	
	THB million	%	THB million	%	THB million	%
<b>1. Thailand Operation</b>						
Feed <sup>1/</sup>	56,815	15.2	51,243	12.8	51,850	12.0
Farm <sup>2/</sup>	61,600	16.4	69,922	17.5	79,212	18.3
Food <sup>3/</sup>	41,009	10.9	43,177	10.8	44,212	10.2
<b>Revenue from Thailand Operation</b>	<b>159,424</b>	<b>42.5</b>	<b>164,342</b>	<b>41.1</b>	<b>175,274</b>	<b>40.5</b>
<b>2. International Operation</b>						
Feed <sup>4/</sup>	148,321	39.6	164,348	41.1	173,448	40.0
Farm <sup>5/</sup>	45,679	12.2	55,583	13.9	70,036	16.2
Food <sup>6/</sup>	3,751	1.0	4,978	1.2	7,281	1.6
<b>Revenue from International Operation</b>	<b>197,751</b>	<b>52.8</b>	<b>224,909</b>	<b>56.3</b>	<b>250,765</b>	<b>57.8</b>
<b>Other Revenue</b>	<b>17,679</b>	<b>4.7</b>	<b>10,326</b>	<b>2.6</b>	<b>7,463</b>	<b>1.7</b>
<b>Total Revenue</b>	<b>374,853</b>	<b>100.0</b>	<b>399,577</b>	<b>100.0</b>	<b>433,502</b>	<b>100.0</b>

Note: 1/ Operated by CPF, BKP, CPM, CPFT, CPF PM and CPFTH (Before 1<sup>st</sup> February 2012 operated by CPNE, BAP, BFP, BPF, RBF, CPF FOOD, CPIN, IPF and CPAI which are merged together as CPFTH on 1<sup>st</sup> February 2012, CPFP and CP LAOS

2/ Operated by CPF, BKP, CPM, CPFT, CHESTER and CPFTH (Before 1<sup>st</sup> February 2012 operated by CPNE, BAP, BFP, BPF, RBF, CPF FOOD, CPIN and CPAI which are merged together as CPFTH on 1<sup>st</sup> February 2012, CPF PRODUCTS, CPFP, CPFFT, CPF EU, CPF UK, CPF TK, CPF DM, CPS and CPF OVERSEAS



3/ Operated by CPF, BKP, CPM, CPFT, CHESTER and CPFTH (Before 1<sup>st</sup> February 2012 operated by CPNE, BAP, BFP, BPF, RBF CPF FOOD, CPIN and CPAI which are merged together as CPFTH on 1<sup>st</sup> February 2012, CPF PRODUCTS, CPFP, CPE, CPFT, CPF EU, CPF UK, CPF TK, CPF DM, CP LAOS, CPS and CPF OVERSEAS

4/ Operated by CPB, CPH, SFM, AA, CPFP, CPE, CPF OVERSEAS, CP LAOS, CP INDIA, CPFTZ, CPS and CPP

5/ Operated by CPF PRODUCTS, CPB, CPH, CPD, CPFP, CPE, SFM, AA, MJSB, CPFFT, CPF EU, CPF UK, CPF TK, CPF DM, CPF OVERSEAS, CPF LAOS, CP INDIA, CPF TZ and CPP

6/ Operated by CPF PRODUCTS, CPB, CPD, CPE, AA, MJSB, CPF UK, CPF TK, CPF DM, CP LAOS, CP INDIA, CPS and CPP

## 3.2. Shareholding Structures

### 3.2.1. Registered Capital

As at 31 December 2014 CPF has registered and paid-up capital of THB 7,742,941,932.0, divided to 7,742,941,932 shares, at par value THB of 1.0 per share.

### 3.2.2. Major Shareholders

Top ten major shareholders as at the closing date of shareholder registration book at 13 March 2015

	Name of Shareholders	No. of Shares	% Shareholding
1.	CPG Group <sup>1/</sup> comprises of	3,430,197,201	44.3
	1.1 CPG <sup>2/</sup>	1,935,815,835	25.0
	1.2 Charoen Pokphand Holding Co., Ltd. <sup>3/</sup>	889,229,566	11.5
	1.3 Orient Success International Limited <sup>4/</sup>	205,000,000	2.6
	1.4 Worth Access Trading Limited <sup>4/</sup>	45,331,200	0.6
	1.5 CPF (Thailand) Plc. <sup>5/</sup>	207,935,600	2.7
	1.6 Bangkok Produce Merchandising Plc. <sup>6/</sup>	82,885,000	1.1
	1.7 Plenty Type Ltd. <sup>7/</sup>	64,000,000	0.8
2.	Thai NVDR Co., Ltd. <sup>8/</sup>	509,174,855	6.6
3.	THE BANK OF NEW YORK (NOMINEES) LIMITED <sup>9/</sup>	250,956,321	3.2
4.	Social Security Office (2 cases) <sup>10/</sup>	137,527,000	1.8
5.	STATE STREET BANK EUROPE LIMITED <sup>11/</sup>	128,756,870	1.7
6.	STATE STREET BANK AND TRUST COMPANY <sup>11/</sup>	113,190,758	1.5
7.	Ms. Walaiporn Jiraphummin	108,300,000	1.4
8.	HSBC (SINGAPORE) NOMINEES PTE LTD. <sup>9/</sup>	88,039,478	1.1
9.	Mr. Prinya Tienworn	84,500,000	1.1
10.	GIC PRIVATE LIMITED - C <sup>12/</sup>	81,111,500	1.0
	<b>Total</b>	<b>4,931,753,983</b>	<b>63.7</b>

Note 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 (as amended)

2/ Engaging in investment business as well as importing and distribution of chemical products and providing technical services, with Chearavanont family as major shareholders. Top ten major shareholders of CPG are as follows: Mr. Sumet



Jiaravanon 13.0%, Mr. Dhanin Chearavanont 13.0%, Mr. Jaran Chiaravanont 12.8%, Mr. Montri Jiaravanont 12.6%, Mr. Kiat Chiaravanont 5.8%, Mr. Phongthep Chiaravanont 3.7% and Mrs. Yupa Chiaravanond, Mr. Prathip Chiravanond, Mrs. Phataneek Leksrisonpong, Mr. Vajarachai Chiaravanond, Mr. Manu Chiaravanond and Mr. Manas Chiaravanond 3.6% each.

3/ CPG's direct 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, Klong Toey, Bangkok 10110, Thailand

9/ A foreign company, contact information: 968 HSBC Building, 5<sup>th</sup> Floor, Rama 4 Road, Bangrak, Bangkok 10500, Thailand

10/ A Thai government department, contact information: Siam Commercial Bank Plc., Markets Operations Division, 1060 Building 2, 3<sup>rd</sup> Floor, Phetburi Road, Makkasan, Ratchatawee, Bangkok 10400, Thailand

11/ A foreign company, contact information: Standard Chartered Bank (Thai) Plc., Securities Services, Zone B, Sathorn Nakorn Tower, 14<sup>th</sup> Floor, North Sathorn Road, Silom, Bangkok 10500, Thailand

12/ A foreign company, contact information: Bangkok Bank Plc., Securities Services, Treethip Building, 1<sup>st</sup> Floor, Silom, Bangrak, Bangkok 10500, Thailand

CPG Group does not have any shareholding in no. 2 – 6, 8 and 10

### 3.3. Management

#### 3.3.1. Board of Directors

As at 25 February 2015, CPF's Board of Directors consisted of the following 15 directors;

Name	Surname	Position
1. Mr. Dhanin	Chearavanont	Chairman
2. Mr. Prasert	Poongkumarn	Vice Chairman
3. Mr. Min	Tieanworn	Vice Chairman
4. Mr. Chingchai	Lohawatanakul	Vice Chairman
5. Mr. Arsa	Sarasin	Vice Chairman
6. Mr. Adirek	Sripratak	Vice Chairman
7. Professor Dr. Athasit	Vejjajiva	Director <sup>1/</sup>
8. Emeritus Professor Supapun	Rattanaporn	Director <sup>1/</sup>
9. Dr. Chaiyawat	Wibulsawasdi	Director <sup>1/</sup>
10. Professor Dr. Pongsak	Angkasit	Director <sup>1/</sup>
11. Mr. Phongthep	Chiaravanont	Director
12. Dr. Veeravat	Kanchanadul	Director
13. Mr. Pong	Visedpaitoon	Director
14. Mr. Sunthorn	Arunanondchai	Director
15. Mrs. Arunee	Watcharananan	Director

Note 1/ Independent Director



### 3.4. Historical Operational and Financial Performance

We, as Independent Financial Advisor, has analysed CPF's financial performances during fiscal year 2012 – 2014 through the audited financial statements which were audited by KPMG Phoomchai Audit Ltd.

#### 3.4.1. Financial Statements

##### Statement of Financial Performances

##### (1) Statement of Income of CPF and its subsidiaries (Consolidated Financial Statement)

	2012		2013		2014	
	THB million	%	THB million	%	THB million	%
Revenue from sale of goods	357,175.2	95.3%	389,251.0	97.4%	426,039.4	98.3%
Gain on sale of investments	8,673.4	2.3%	-	-	-	-
Gain on liquidation of subsidiary	6,008.9	1.6%	8,218.5	2.1%	4,662.3	1.1%
Other revenue	2,995.4	0.8%	2,107.5	0.5%	2,800.3	0.6%
<b>Total revenue</b>	<b>374,852.9</b>	<b>100.0%</b>	<b>399,577.1</b>	<b>100.0%</b>	<b>433,502.0</b>	<b>100.0%</b>
Cost of sale of goods	315,837.8	84.3%	350,393.9	87.7%	368,759.7	85.1%
Gain on changes in fair value of biological assets	(229.3)	(0.1%)	(523.7)	(0.1%)	(337.9)	(0.1%)
Selling and administrative expenses	33,260.0	8.9%	36,962.9	9.3%	42,837.2	9.9%
Finance cost	6,377.5	1.7%	7,937.4	2.0%	8,880.1	2.0%
Other expenses	51.6	0.0%	218.7	0.1%	352.9	0.1%
<b>Total expenses</b>	<b>355,297.6</b>	<b>94.8%</b>	<b>394,989.2</b>	<b>98.9%</b>	<b>420,491.9</b>	<b>97.0%</b>
Share of profits of associates and jointly-controlled entities	4,138.4	1.1%	4,947.5	1.2%	4,868.7	1.1%
<b>Profit before income tax expense</b>	<b>23,693.7</b>	<b>6.3%</b>	<b>9,535.4</b>	<b>2.4%</b>	<b>17,878.8</b>	<b>4.1%</b>
Income tax	2,674.7	0.7%	133.4	0.0%	3,649.4	0.8%
<b>Profit for the year</b>	<b>21,019.0</b>	<b>5.6%</b>	<b>9,401.9</b>	<b>2.4%</b>	<b>14,229.4</b>	<b>3.3%</b>
Non-controlling interests	2,229.1	0.6%	2,336.7	0.6%	3,667.7	0.8%
<b>Profit for the year attributable to equity holders of the Company</b>	<b>18,789.9</b>	<b>5.0%</b>	<b>7,065.2</b>	<b>1.8%</b>	<b>10,561.7</b>	<b>2.4%</b>



(1) Statement of Comprehensive Income of CPF and its subsidiaries (Consolidated Financial Statement)

	2012	2013	2014
	THB million	THB million	THB million
Profit for the year	21,019.0	9,401.9	14,229.4
Other comprehensive income for the year, net of income tax expense	5,339.2	5,292.6	(1,258.2)
Total comprehensive income for the year	26,358.2	14,694.5	12,971.2
Non-controlling interests	(2,439.2)	(3,595.9)	(4,102.0)
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b>23,919.0</b>	<b>11,098.6</b>	<b>8,869.2</b>

Statement of Cash Flow (Consolidated Financial Statement)

	2012	2013	2014
	THB million	THB million	THB million
Cash flow from operating activities	529.0	9,451.6	23,185.2
Cash flow from investing activities	-59,493.9	-24,221.7	-33,163.7
Cash flow from financing activities	46,449.1	17,792.0	23,533.2
Net increase (decrease) in cash and cash equivalents	-12,515.8	3,021.9	13,554.7
Cash and cash equivalents at beginning of year	23,993.0	12,250.3	17,180.3
Effect of exchange rate changes on balances held in foreign currencies	773.1	1,908.0	1,188.6
<b>Cash and cash equivalents at end of year</b>	<b>12,250.3</b>	<b>17,180.3</b>	<b>31,923.6</b>

Statement of Financial Position (Consolidated Financial Statement)

	31 Dec 2012		31 Dec 2013		31 Dec 2014	
	THB million	%	THB million	%	THB million	%
<b>Assets</b>						
Cash and cash equivalents	12,258.4	3.9%	19,457.3	5.3%	33,551.6	8.1%
Current investments	-	-	3,143.1	0.9%	5,768.8	1.4%
Account receivables – trade and others	23,279.2	7.5%	24,240.4	6.6%	24,953.3	6.0%
Inventories	48,333.8	15.6%	48,469.1	13.3%	49,036.0	11.8%
Current biological assets	19,299.8	6.2%	22,425.2	6.1%	24,377.6	5.8%



	31 Dec 2012		31 Dec 2013		31 Dec 2014	
	THB million	%	THB million	%	THB million	%
Other current assets	6,030.3	1.9%	6,508.3	1.8%	8,566.2	2.1%
<b>Total current assets</b>	<b>109,201.4</b>	<b>35.2%</b>	<b>124,243.5</b>	<b>34.0%</b>	<b>146,253.4</b>	<b>35.1%</b>
Investments	38,031.0	12.2%	49,597.7	13.6%	62,012.5	14.9%
Investment properties	1,484.4	0.5%	1,930.0	0.5%	1,168.7	0.3%
Property, plant and equipment	90,812.3	29.2%	110,930.8	30.4%	124,460.8	29.9%
Non-current biological assets	5,199.7	1.7%	5,179.7	1.4%	5,595.0	1.3%
Goodwill	54,791.5	17.6%	59,293.5	16.2%	60,698.5	14.6%
Other non-current assets	11,023.8	3.5%	13,827.9	3.8%	16,574.8	4.0%
<b>Total non-current assets</b>	<b>201,342.8</b>	<b>64.8%</b>	<b>240,759.6</b>	<b>66.0%</b>	<b>270,510.4</b>	<b>64.9%</b>
<b>Total assets</b>	<b>310,544.3</b>	<b>100.0%</b>	<b>365,003.1</b>	<b>100.0%</b>	<b>416,763.9</b>	<b>100.0%</b>
<b>Liabilities</b>						
Overdrafts and short-term borrowings from financial institutions	47,660.1	15.3%	61,861.2	16.9%	63,686.6	15.3%
Bills of exchange	4,951.2	1.6%	3,477.5	1.0%	1,988.8	0.5%
Account payable – trade and others	20,619.8	6.6%	21,887.7	6.0%	25,632.1	6.2%
Current portion of long-term debts	9,305.8	3.0%	11,517.2	3.2%	13,432.4	3.2%
Other current liabilities	12,681.3	4.1%	16,258.0	4.5%	18,544.8	4.4%
<b>Total current liabilities</b>	<b>95,218.2</b>	<b>30.7%</b>	<b>115,001.5</b>	<b>31.5%</b>	<b>123,284.7</b>	<b>29.6%</b>
Long-term debts	84,065.8	27.1%	109,175.6	29.9%	116,425.5	27.9%
Other non-current liabilities	10,479.5	3.4%	11,253.5	3.1%	13,087.4	3.1%
<b>Total non-current liabilities</b>	<b>94,545.3</b>	<b>30.4%</b>	<b>120,429.1</b>	<b>33.0%</b>	<b>129,512.9</b>	<b>31.1%</b>
<b>Total liabilities</b>	<b>189,763.5</b>	<b>61.1%</b>	<b>235,430.5</b>	<b>64.5%</b>	<b>252,797.6</b>	<b>60.7%</b>
<b>Total equity</b>	<b>120,780.8</b>	<b>38.9%</b>	<b>129,572.6</b>	<b>35.5%</b>	<b>163,966.3</b>	<b>39.3%</b>
<b>Total liabilities and equity</b>	<b>310,544.3</b>	<b>100.0%</b>	<b>365,003.1</b>	<b>100.0%</b>	<b>416,763.9</b>	<b>100.0%</b>

### Key Financial Ratios

	2012	2013	2014
<b>Liquidity Ratios</b>			
Current Ratio (times)	1.15	1.08	1.19
Quick Ratio (times)	0.37	0.41	0.52
Account receivable days (days)	20	23	21
Days in inventory (days)	11	12	13
Account payable days (days)	18	22	23
Cash Cycle (days)	13	13	11



	2012	2013	2014
<b>Profitability Ratios</b>			
Gross profit margin (%)	11.6%	10.0%	13.4%
Operating profit margin (%)	8.4%	4.5%	6.3%
Net profit margin (%)	5.0%	1.7%	2.4%
Return on equity (%)	20.0%	5.6%	7.2%
<b>Efficiency Ratios</b>			
Return on fixed assets (%)	35.4%	14.5%	16.6%
Asset turnover (%)	1.61	1.20	1.12
<b>Leverage Ratios</b>			
Debt to equity (times)	1.57	1.82	1.54
Interest coverage (times)	0.08	1.25	2.89
Debt service coverage(times)	0.01	0.14	0.32
Dividend payout (%)	105.8%	56.3%	65.0%

### 3.4.2. Management Discussion and Analysis of CPF

In 2014, the significant event affected the preparation and presentation of the Company's consolidated financial statements for the period ending 31 December 2014 as follows:

#### (1) Business combination by acquisition of shares

During the fiscal year 2014, CPF acquired shares of 3 companies i.e. (1) Tops Foods NV ("Tops Foods") (2) Hefei Chia Tai Co., Ltd. ("HCT") and (3) Kaifeng Chia Tai Co., Ltd. ("Kaifeng") which CPF obtained control in such 3 companies of 80.0%, 74.6% and 74.2% respectively. As a result, they became new subsidiaries of CPF. CPF's consolidated financial statement has applied Thai Financial Reporting Standards ("TFRS") No.3 (revised 2012) Business Combination to recognize the business combination Transactions. Details of the Transaction disclosed in No.5 Business Combination by Acquisition of Shares of the Notes to financial statement for the period ended 31 December 2014.

The amount of assets and liabilities assumed at the acquisition date is as follows:

#### (1.1) Acquisition of Tops Foods NV's shares

	<i>THB million</i>
Cash and cash equivalents	8
Account receivables – trade and others	58
Inventories	57



Other current assets	8
Property, plant and equipment	618
Other intangible assets	17
Borrowings	(233)
Account receivables – trade and others	(53)
Other current liabilities	(20)
Deferred tax liabilities	(121)
<b>Net assets</b>	<b>339</b>
Less Non-controlling interests of the acquire	(68)
<b>Group's ownership interest</b>	<b>271</b>
Goodwill	145
<b>Consideration transferred</b>	<b>416</b>

Acquisition of Tops Foods's shares will expand the production base of ready-to-eat food into Europe continent due to the synergy benefits from the modern technology with high standards which increase the operating efficiency of CPF Group.

(1.2) Acquisition of HCT's shares and Kaifeng's shares

	<i>THB million</i>	
	HCT	Kaifeng
Cash and cash equivalents	12	55
Account receivables – trade and others	21	107
Inventories	142	251
Other current assets	106	81
Property, plant and equipment	156	185
Other intangible assets	658	656
Other non-current assets	89	218
Borrowings	-	(260)
Account receivables – trade and others	(79)	(58)
Other current liabilities	(234)	(196)
Deferred tax liabilities	(197)	(205)
<b>Net assets</b>	<b>674</b>	<b>834</b>
Goodwill	499	781
<b>Consideration transferred</b>	<b>1,173</b>	<b>1,615</b>



The acquisition of HCT and Kaifeng will reinforce CPF's group to be the leader in the feed industry business in China.

**(2) Partial disposal of the investment in C.P. Pokphand Co., Ltd. ("CPP") without a change in control**

During the third quarter of fiscal year 2014, CPF sold 6,017,959,308 ordinary shares of CPP, a subsidiary of CPF Group that is a listed company of the Hong Kong Stock Exchange (equal to 25.0% of CPP's total issued and paid-up ordinary shares or 23.8% of CPP's total issued and paid-up shares) to ITOCHU Corporation, a listed company on the Tokyo Stock Exchange, at the selling price of HKD 1.1 per share, for a total consideration of HKD 6,620.0 million or approximately THB 27,258.0 million. After the completion of the Transaction, the shareholding portion in CPP will be 50.4% of CPP's total issued and paid-up shares (or 47.8% of CPP's total issued and paid-up ordinary shares) resulting in a decrease in the CPF Group ownership interest in CPP of THB 24,309.0 million, an increase in non-controlling interests of the same amount and record a gain of THB 4,130.0 million in "Surplus from change in equity in subsidiaries" in the consolidated statement of financial position as at 31 December 2014.

Details of the Transaction disclosed in No.5 Business Combination by Acquisition of Shares of the Notes to financial statement for the period ended 31 December 2014.

1. Operational Performances

Revenue

During fiscal year 2012 - 2014, CPF generated total sales of THB 357,175.2 million, THB 389,251.0 million and THB 426,039.4 million respectively, with the CAGR (2012 – 2014) of 9.2%, as a result of the increase in both Thailand Operations and International Operations, with the CAGR (2012 – 2014) of 4.9% and 12.6% consecutively. In 2014, classified by business line, CPF's revenue structure is Feed, Farm and Food representing 52.9% 35.0% and 12.1% of total revenue accordingly.

**Table 3-1 Revenue Structure by Business Line fiscal year 2012 - 2014**

	2012		2013		2014	
	THB million	%	THB million	%	THB million	%
<b>1. Thailand Operation</b>						
Feed	56,815	15.9	51,243	13.2	51,850	12.2
Farm	61,600	17.2	69,922	18.0	79,212	18.5
Food	41,009	11.5	43,177	11.0	44,212	10.4



	2012		2013		2014	
	THB million	%	THB million	%	THB million	%
<b>Total sales – Thailand Operation</b>	<b>159,424</b>	<b>44.6</b>	<b>164,342</b>	<b>42.2</b>	<b>175,274</b>	<b>41.1</b>
<b>2. International Operation</b>						
Feed	148,321	41.5	164,348	42.2	173,448	40.7
Farm	45,679	12.8	55,583	14.3	70,036	16.5
Food	3,751	1.1	4,978	1.3	7,281	1.7
<b>Total sales – International Operation</b>	<b>197,751</b>	<b>55.4</b>	<b>224,909</b>	<b>57.8</b>	<b>250,765</b>	<b>58.9</b>
<b>Total revenue from sales</b>	<b>357,175</b>	<b>100.0</b>	<b>389,251</b>	<b>100.0</b>	<b>426,039</b>	<b>100.0</b>

Note: 1/ Operating results by business operations and business line

### (1) Thailand Operation

Total sales generated from Thailand Operations during the past 3 years increased continuously with the CAGR (2012 – 2014) of 4.9%. The increasing in Thailand Operations revenue came from the sales growth in farm business with CAGR (2012 – 2014) of 13.4% which was mostly due to the increasing in average meat prices each year. Of 3-year average of ‘Total sales – Thailand Operation’, 82.3% was attributable to domestic sales and 17.7% to its export.

### (2) International Operation

Total sales generated from International Operations during the past 3 years have also increased with the CAGR (2012 – 2014) of 12.6%. The increasing in revenue is a result from sales growth in farm business and feed business with the CAGR (2012 – 2014) of 23.8% and 8.1% respectively.

### Gross Profit Margin

During fiscal year 2012 - 2014, gross profit margin was 11.6%, 10.0% and 13.4% consecutively. The significant decrease in gross profit of -1.6% in 2013 was due to the fact that operating profit in 2013 from aquatic business declined which was influenced by an outbreak of EMS in Thai shrimp business in late 2012. The increasing gross profit margin for the year 2014 was due to enhancement of the efficiency of animal husbandry and the higher average meat prices comparing to the previous year resulting in higher profit margin.

### Selling and Administrative Expenses

Selling and administrative expenses from 2012 – 2014 were THB 33,260.0 million, THB 36,962.9 million and THB 42,837.2 million respectively.

Selling expenses were accounted for 4.3% of total revenue from sales (3-year average) which was mainly consisting of employee benefits expense, vehicle and travelling expenses and advertising and sales promotion expenses etc. while administrative expenses were accounted for 5.3% of total revenue from sales (3-year average) which was mainly consisting of employee benefits expense, office expenses etc.



However, during the past 3 years, selling and administrative expenses were quite constant, representing 9.3% - 10.1% of total revenue from sales.

#### Net Profit

Net profits attributable to equity holder of the parent company from fiscal year 2012 – 2014 were THB 18,790.0 million, THB 7,065.3 million and THB million respectively. The respective profit margins were 5.3%, 1.8% and 2.5%. The 3-year average of net profit margin was 3.7%.

The significant decrease in net profit attributable to equity holder of the parent company in 2013 mainly came from (1) gain on changes in fair value investments in C.P. Vietnam Corporation (“CPV”) of THB 8,673.0 million which complied with Thai Financial Reporting Standards on non-recurring transaction item (2) the outbreak of EMS affected shrimp farming industry resulting a significant decrease in aquatic business.

Net profit attributable to equity holder of the parent company in 2014 grew by 49.5% from the previous year. The increase was from the enhancement of efficiency of animal husbandry and the higher average meat prices comparing to the previous year resulting in the increase in gross profit margin.

#### Changes in other comprehensive income

In fiscal year 2014, change in other components of shareholders’ equity after tax presented in the CPF’s comprehensive income decreased by THB 1,258.2 million due to loss from convert foreign exchange rate from overseas subsidiary.

## 2. Financial Position

#### Asset

CPF’s total asset has increased from THB 310,544.3 million at the end of 2012 to THB 416,763.9 million at the end of 2014 with CAGR (2012 – 2014) of 15.8%.

At the end of 2013, CPF’s total assets were THB 365,003.1 million, increased by 17.5% from the previous year, consisting of THB 124,243.5 million in current assets, THB 110,930.8 million in property, plant and equipment and THB 129,828.8 million in other assets. The increase of total assets mainly came from the fact that CPF invested in C.P. Pokphand Co., Ltd. (“CPP”) resulting in significant increase in total assets as well as the increase in property, plant and equipment item.

At the end of 2014, CPF’s total assets were THB 416,763.9 million, increased by 14.2% from the previous year, consisting of THB 146,253.5 million in current assets, THB 124,460.8 million in property, plant and equipment and THB 146,049.6 million in other assets. The increase of total assets mainly



came from the increase in cash and cash equivalents item, property, plant and equipment item and investment in associates' item.

Table 3-2 CPF's Cash Cycle fiscal year 2012 - 2014

	2012	2013	2014
Account receivable days (days)	20	23	21
Days in inventory (days)	11	12	13
Account payable days (days)	18	22	23
<b>Cash Cycle (days)</b>	<b>13</b>	<b>13</b>	<b>11</b>

Cash cycle decreased from 13 days in 2013 to 11 days in 2014 due to the decline in account receivable days from 23 days to 21 days.

#### Liabilities

CPF's total liabilities from 2012 to 2014 were THB 189,763.5 million, THB 235,430.6 million and THB 252,797.6 million, with CAGR (2012 – 2014) of 15.4%.

At the end of 2013, CPF's total liabilities were THB 235,430.6 million consisting of non-interest bearing debts totaled THB 49,025.5 million and interest bearing debts totaled THB 186,405.0 million. The interest bearing debts comprised of short-term borrowing from financial institutions totaled THB 27,058.0 million, long-term borrowing from financial institutions and other companies totaled THB 51,397.0 million, debentures totaled THB 69,260.0 million and others totaled THB 38,690.0 million. The total liabilities at the end of 2013 increased THB 45,667.1 million or grew by 24.1% from the previous year due to the increase in short-term and long-term borrowing from financial institutions.

At the end of 2014, CPF's total liabilities were THB 252,797.6 million consisting of non-interest bearing debts totaled THB 56,868.6 million and interest bearing debts totaled THB 195,929.0 million respectively. The interest bearing debts comprises of short-term borrowing from financial institutions totaled THB 42,932.0 million, long-term borrowing from financial institutions and other companies totaled THB 57,188.0 million, debentures totaled THB 72,659.0 million and others totaled THB 23,150.0 million. The total liabilities at the end of 2013 increased THB 17,367.1 million, or growth by 7.4%, from the previous year due to C.P. Foods Holdings Limited ("CPFH"), a subsidiary of CPF, issued and offered exchangeable bonds.

At the end of 2014, CPF's was obliged to make payments on debentures amounting to THB 72,659.0 million consisting of (1) CPF's debentures 16 series totaled THB 63,060.0 million at maturity term 4 – 30 years with coupon rate of 3.0% - 6.0% per annum and (2) subsidiary exchangeable bonds totaled



USD 290.0 million at maturity term of 5-year (due in 2019) with coupon rate of 0.5% per annum. At the end of 2014 the carrying amount of exchangeable bonds was USD 292.0 million or equivalent to THB 9,599.0 million.

Table 3-3 CPF's Current Ratio and Debt to Equity Ratio fiscal year 2012 - 2014

	2012	2013	2014
Current ratio (times)	1.15	1.08	1.19
Debt to Equity ratio (times)	1.57	1.82	1.52

Current ratio in 2013 decrease significantly compared to current ratios in 2012 and 2014 due to increase in short-term borrowing from financial institutions.

Debt to Equity ratio increased from 1.82 times in 2013 to 1.52 times in 2014 as a result of the increase in non-controlling interest item which came from disposal of investment in subsidiary.

#### Shareholders' Equity

Shareholders' equity increased continuously during the past 3 years from THB 120,780.8 million at the end of 2012 to THB 163,966.3 million at the end of 2014 with CAGR (2012 – 2014) of 16.5%. The increase in shareholders' equity was due to positive operational performance as well as the increase in non-controlling interest item which came from disposal of investment in subsidiary.

In 2012, CPF's registered and paid-up capital was increased from THB 7,048.9 million at the end of 2011 to THB 7,742.9 million at the end of 2012 in order to finance the acquisition of CPP apart from borrowing from financial institutions.

#### Dividend Policy

According the CPF's dividend policy, the sum of dividend payment for each year operating results is approximately 50% of net profit after tax and legal reserve requirements (based on the separate financial statement of the Company). During the last 3 years, the average of dividend payout ratio was 75.7%.

On 26 February 2015, CPF's Board of Directors passed a resolution to approve a dividend payment for the fiscal year 2014 to shareholders of THB 0.75 per share in total. CPF paid the first dividend payment to shareholders, as an interim dividend of THB 0.30 per share on 12 September 2014. Therefore, the second dividend payment will be THB 0.45 per share. The Board of Directors will propose the said dividend payment to the Annual General Shareholders' Meeting No. 1/2558 which will be held on 22 April 2015 for further approval.



### 3.5. Industry Overview and Outlook

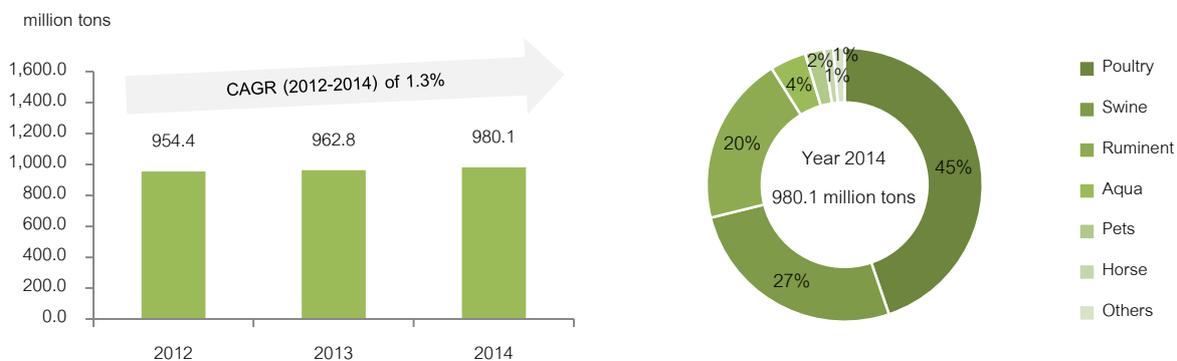
#### 3.5.1. Feed Business

Feed manufacturing industry is one of industries that use raw materials from domestically agricultural products (such as corn, rice and cassava etc.) and create value added to agricultural products in order to use it for animal farming industry which is an important source of protein for the population. Therefore, the growth of feed manufacturing industry is driven by the quantitative expansion of animal farming industry including (1) meat industry i.e. poultry, swine etc. and (2) fishery industry.

During 2012 – 2014, the global production of feed has increased continuously totaled 954.4 million tons, 962.8 million tons and 980.1 million tons, with CAGR (2012 – 2014) of 1.3%, which increased in the same pace as global livestock production. Increasing in global population and rapidly economic growth in China and India are major factors that drive meat consumption demand and reflect back to the increase in feed consumption demand.

Classified by global livestock species, poultry held its position as industry leader with a 44.8% share of the feed productions where swine placed a second position representing 26.3% (as shown in table 3-2).

Graph 3-2 Global Feed Production 2012 – 2014 and Feed Production in 2014, by Species

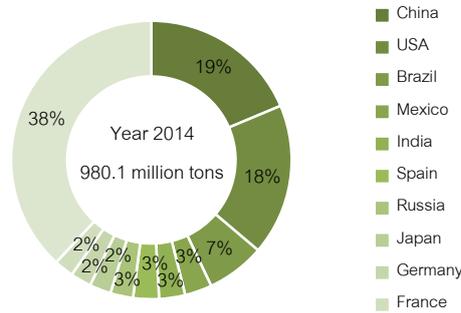


Source: 2015 Global Feed Survey, Alltech

In 2014, major feed producers classified by country are China, United State of America, Brazil, Mexico, India and Spain with production of 182.7 million tons, 172.5 million tons, 66.2 million tons, 30.7million tons, 29.4 million tons and 29.2 million tons respectively.



Graph 3-3 Feed Production in 2014, by Countries

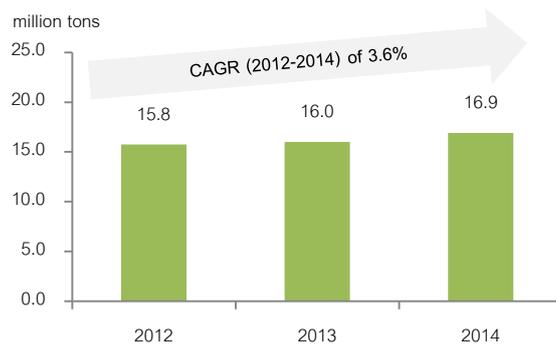


Source: 2015 Global Feed Survey, Alltech

Although China was the leading feed producer for the past 3 years (2012 – 2014), however, the feed declined in its production continuously from 198.3 million tons in 2012 to 182.7 million tons in 2014, with decreasing CAGR (2012 – 2014) of -4.0% due to bird flu that suppressed consumer demand. On the contrary, India had a significant increase in feed production during the past 3 years (2012 – 2014) from 26.8 million tons in 2012 to 29.4 million tons in 2014, with CAGR (2012 – 2014) of 4.7% which mainly came from favorable weather conditions and consistently-improving farming methods and technology.

Thailand was ranked 14 of global feed production. The feed production increased continuously during the past 3 years from 15.8 million tons in 2012 to 16.9 million tons in 2014, with CAGR (2012 – 2014) of 3.6%. The increase in production was influenced by increasing in domestic feed consumption demand and other demand from related industry such as livestock industry, food industry etc.

Graph 3-4 Feed Production in Thailand 2012 - 2014



Source: 2015 Global Feed Survey, Alltech



Classified by company's production capacity, leading producers in global feed production are CP Group (from Thailand) Cargill, Land O'Lakes Purina and Tyson Foods (from United State of America) New Hope Group (from China) and Brazil Foods (from Brazil).<sup>9</sup>

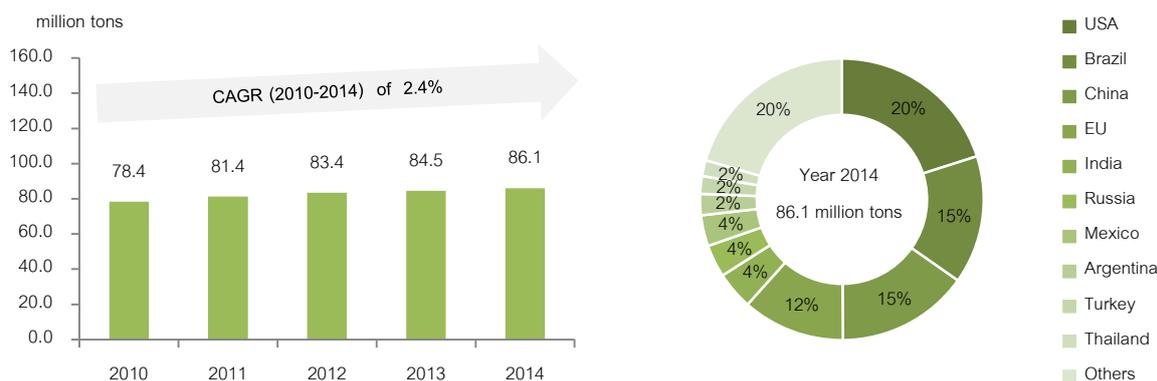
### 3.5.2. Farm Business

#### 1. Broiler

During 2010 – 2014, global broiler production increased continuously from 78.5 million tons to 86.1 million tons in 2014, with CAGR 2010 – 2014 of 2.4% which grew at the same pace as domestic consumption demand and export volume, equivalent to CAGR (2012 – 2014) of 2.2% and 4.2% respectively.

In 2014, main global broiler producers were United State of America, Brazil, China and European Union with production of 17.8 million tons, 13.1 million tons, 13.0 million tons and 10.3 million tons respectively.

Graph 3-5 Global Broiler Production 2010 - 2014 and Production in 2014, by Country



Source: Livestock and Poultry: World Markets and Trade, USDA

During 2010 – 2014, United State of America was the biggest producer in the world and the production volume increased continuously with production volume of 16.6 million tons, 16.7 million tons, 16.6 million tons, 17.0 million tons and 17.3 million tons respectively, or equivalent to CAGR (2010 – 2014) of 1.0%. The increase was driven by the domestic consumption demand which was accounted for 81.1% (3-year average) of broiler production while the rest would be exported to other countries. United State of America was ranked 2<sup>nd</sup> place in term of broiler exporter.

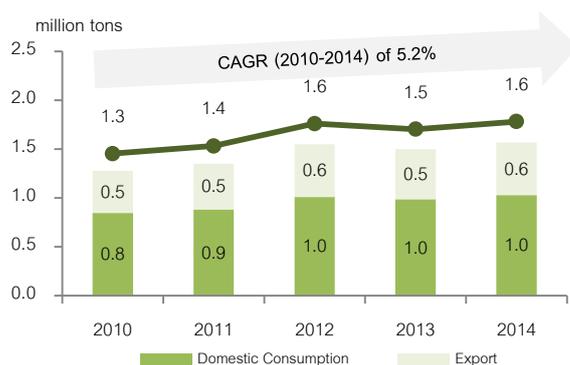
For Thailand, the production volume has increased from 1.3 million tons in 2010 to 1.6 million tons in 2014, or equivalent to CAGR (2010 – 2014) of 5.2% while consumption demand during the past

<sup>9</sup> Source: Global Animal Feed Industry: Trend and Opportunities (2557 - 2562), Daedal Research and Wikipedia



5 years (2010 – 2014) was 0.5 – 0.6 million tons per year, or equivalent to CAGR (2010 – 2014) of 5.0%. The consumption demand was accounted for 65.7% (3-year average) of broiler production while the rest would be exported to other countries. Thailand is one of the leading broiler exporters. During 2010 – 2014, the broiler export volume was 0.5 million tons, 0.5 million tons, 0.6 million tons, 0.5 million tons and 0.6 million tons respectively, with CAGR (2010 – 2014) of 5.7%. The main countries that export to are Japan, European Union, Laos, Singapore and South Korea.

Graph 3-6 Thailand's Broiler Production, Consumption and Export Volume 2010 - 2014



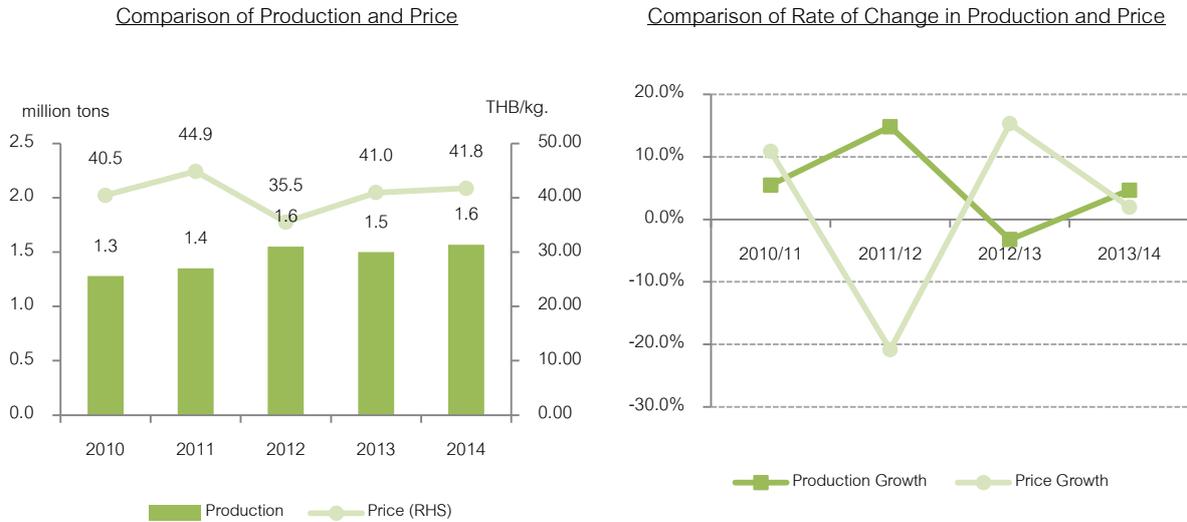
Source: USDA, Thai Feed Mill Association

In 2015, USDA anticipates that both broiler production and export volume in Thailand will increase. The broiler production volume will be up to 1.6 million tons or increases 0.07 million tons from production volume in 2014, growth by 4.5% from the previous year while the broiler export volume will be 0.6 million tons increases 0.03 million tons from export volume in 2014, growth by 5.6% from the previous year. The USDA's forecast is in accordance with the analysis from Bank for Agriculture and Agricultural Co-operatives Research Center that the broiler export in Thailand tends to increase during 2015. The increase in export volume is due to the fact that consumers in overseas tend to consume more chicken meat as it is less expensive than pork or meat. In addition, the situation on the import of chicken meat from Thailand also a contributing factor to boost the export of chicken meat in Thailand, for example, The Russian Government announced a ban on import of chicken meat from the European Union and United State of America which is positive situation for Thai export market, Japan lifted their ban on the import of chicken meat from Thailand and the Philippines Government allows to import chicken meat from Thailand to use in fast-food market domestically.

For the price aspect, the price pattern is inversely proportional to the amount of domestic production which means if broiler production increases, price will decline. According The Bank for Agriculture and Agricultural Co-operatives Research Center, broiler price in 2015 is expected to slightly decrease from 2014 at between THB 40.5 – THB 44.4 per kilogram due to oversupply of broiler in both domestic and overseas market.



Graph 3-7 Broiler Production Volume vs Price 2010 -2014

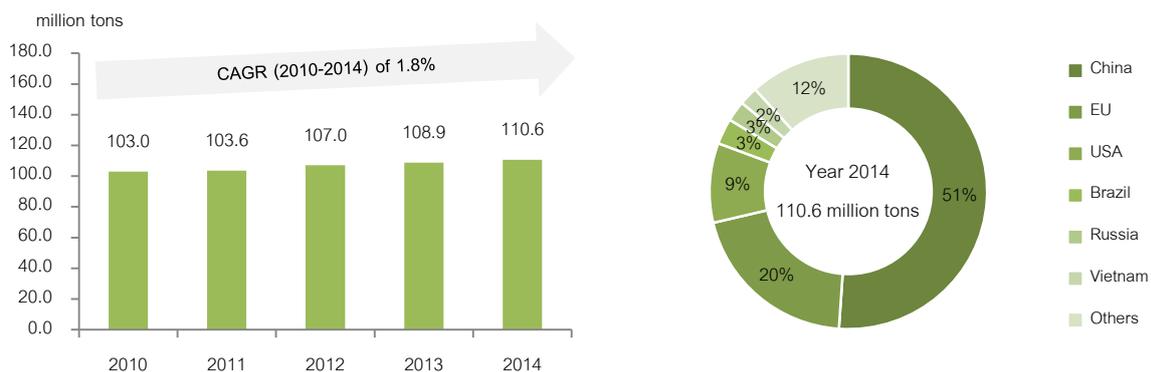


Source: Thai Feed Mill Association, USDA

2. Swine

During 2010 – 2014, global swine production was 103.0 million tons, 103.6 million tons, 107.0 million tons, 108.9 million tons and 110.6 million tons respectively, with CAGR (2010 – 2014) of 1.8% which grew at the same pace as domestic consumption demand, or equivalent to CAGR (2012 – 2014) of 1.7%. In 2014, major swine producers were China, European Union and United State of America with a production of 56.5 million tons, 22.4 million tons and 10.3 million tons consecutively.

Graph 3-8 Global Swine Production 2010 - 2014 and Production in 2014, by Country



Source: Livestock and Poultry: World Markets and Trade, USDA

During the past 5 years (2010 – 2014), China was the biggest swine producer with production volume of 50.7 million tons, 50.6 million tons, 53.4 million tons, 54.9 million tons and 56.5 million tons respectively, with CAGR (2010 – 2014) of 2.7% due to continuously domestic growth consumption



demand in China with CAGR (2010 – 2014) of 2.9%. Although China is the biggest swine producer in the world, however, the swine production was not able to serve domestic consumption demand. The 5-year average consumption demand was 100.7% of domestic swine production. As a result, China was ranked second place in swine import market after Japan. From 2010 - 2014, Japan has imported swine of 1.2 million Tons, 1.3 million tons, 1.3 million tons, 1.2 million tons and 1.3 million tons respectively, or equivalent to CAGR (2010 – 2014) of 2.4%. The continuous increase in swine import was from the fact that the domestic consumption demand in Japan was over the domestic supply (swine production) which was found that the 5-year average domestic consumption demand was 196.9% of domestic swine production resulting in high swine import in Japan.

During 2010 – 2014, Thailand's swine production was 0.9 million tons, 0.9 million tons, 1.1 million tons, 1.1 million tons and 1.1 million tons respectively, with CAGR (2010 – 2014) of 5.8%. Most of swine production in Thailand was served to domestic consumption demand which is 98.4% of domestic swine production (5-year average). For export aspect, Thailand did not export much swine and the export volume from 2010 to 2014 was 0.01 million tons, 0.02 million tons, 0.02 million tons, 0.02 million tons and 0.02 million tons respectively, or equivalent to CAGR (2010 – 2014) of 11.4%. The main export markets were Hong Kong and Japan.

Graph 3-9 Thailand's Swine Production, Consumption and Export Volume 2010 - 2014

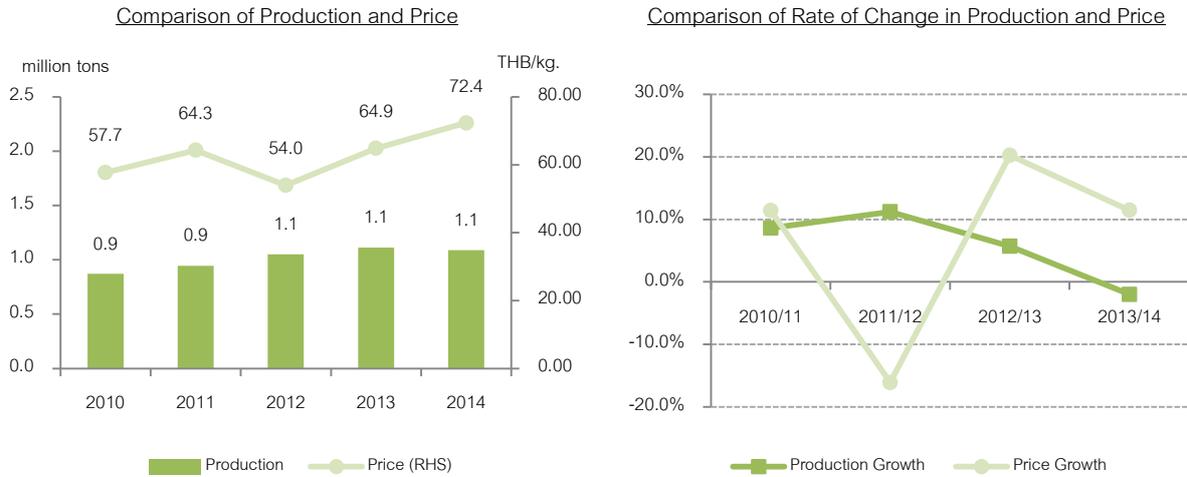


Source: USDA, Swine Producers and Processors for Exporting Association

During 2010 – 2014, Thailand's swine production grew slightly while the consumption demand rose continuously resulting in higher swine price. In 2015, according the Bank for Agriculture and Agricultural Co-operatives Research Center, swine production in Thailand is expected to increase from the previous year which effect swine price to decrease at between THB 67.0 – THB 72.0 per kilogram. However, swine market still has some several risk factors affected the growth of the market such as the breakout of Porcine epidemic diarrhea (PED) in swine and the breakout of Porcine Reproductive and Respiratory Syndrome (PRRS).



Graph 3-10 Swine Production Volume vs Price 2010 - 2014



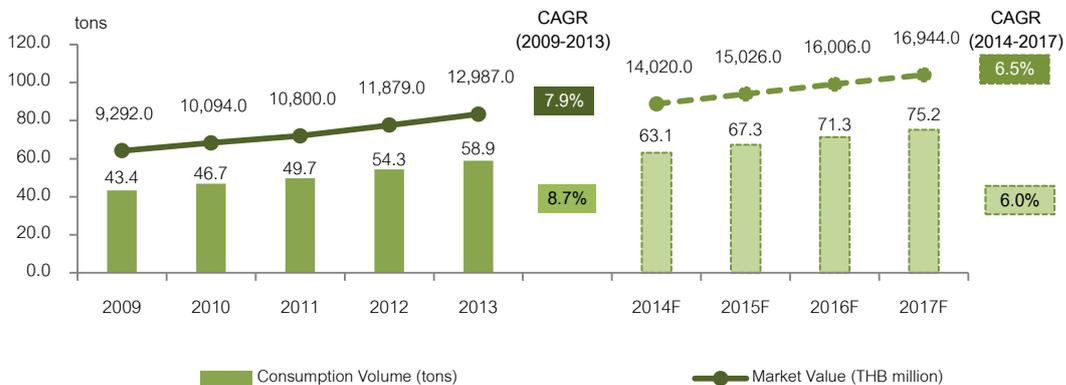
Source: Thai Feed Mill Association, USDA

### 3.5.3. Food Business

Currently, frozen ready-to-eat food business is a fast growing business in Thailand and overseas. The rapid growth in the business came from the changing of consumer behavior. People’s lifestyle has been changed due to their time constraints. They want to make things more convenience for them and frozen ready-to-eat food is one of their choices. Also, the smaller size of household is another factor that makes ready-to-eat meal to be their preferable meal since it is much shorter time of meal preparation. Lastly, the expansion of convenience stores gives consumers easily to buy products.

During 2009 – 2013, Thailand’s frozen food consumption volume has increased with CAGR (2009 – 2013) of 7.9% and market value growth with CAGR (2009 – 2013) of 8.7% due to the variety of products in the market and expansion of products distribution through convenience stores. Forecasted by Euromonitor, Thailand’s frozen ready-to-eat food consumption demand and market value during 2014 – 2017 will increase with CAGR (2014 – 2017) of 6.0% and 6.5% respectively.

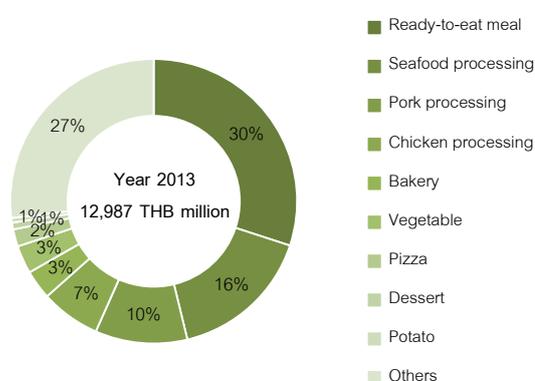
Graph 3-11 Thailand’s Frozen Ready-to-eat Food Consumption Volume 2009 – 2013 and Forecast 2014 - 2017





Source: Euromonitor International 2013, Food Intelligence Center Thailand

Graph 3-12 Thailand's Market Value by Frozen Product Types 2013



Classified by product types, frozen food in Thailand consists of frozen ready-to-eat food, frozen seafood processing, frozen pork processing, frozen chicken processing, frozen vegetable and frozen dessert. Frozen ready-to-eat food, frozen seafood processing and frozen pork processing are main products in this market capturing high market share for the past few years.

Source: Euromonitor International 2556, Food Intelligence Center Thailand

In 2013, frozen ready-to-eat food and frozen seafood processing consumption volume increased rapidly with growth rate of 13.2% and 13.2% respectively from the previous year. The increase in growth came from the marketing of the products, variety of products, the developing of freshly made taste of the products as well as the expansion of distribution channel through convenience store. Frozen pork processing, on the other hand, was found that the consumption volume grew at decrease rate in 2013, growth by 2.9% from the previous year due to lack of product development and intensive marketing compared to frozen ready-to-eat food and frozen seafood processing products.

Researched by Food Intelligence Center Thailand and Euromonitor, Thailand's frozen food key players are CP Group, S&P and Surapon Foods which captured more than 50.0% of market share in 2013.



#### 4. The opinion regarding the reasonableness of the acquisition of CPC's shares

##### 4.1. The reasonableness and benefits of the Transaction

Regarding our reviewing and analyzing on CPF's business policy and business overviews (i.e. historical performance, future business plan), opportunities for growth in the agricultural industry and market competition and management business views, we, IFA, has an opinion that the acquisition of CPC's shares is reasonable because it is an investment in Cambodia that has economic environment and agricultural industry growth especially in livestock GDP sector which shall support CPF's business growth. It also shall create financial benefits, both revenues and profits, to CPF and CPF's shareholders. In addition, it is to restructure CPC under CPF being the same business line.

##### 4.1.1. Investment in the country which has a favorable economic and industry growth

Cambodia is one of the emerging markets in South East Asia (SEA). Regarding Cambodia's economic indicators, during 2005-2014 Cambodia's Gross Domestic Products (GDP) has continuously increased by 11.2%<sup>10</sup> per annum, as well as other positive factors supporting its economic growth, for instance, the arrival of ASEAN Economic Community (AEC) which shall expected to do freely trade among ASEAN members (consists of Thailand, Cambodia, Laos and other 8 countries), as well as the development of transportation infrastructure among ASEAN members (i.e. route Thailand – Laos – Cambodia and Vietnam). These positive economic activities shall create the flow of economic activities in Cambodia resulting in higher purchasing power of Cambodian people. Looking deeply into livestock GDP sector (estimated by Cambodia's Ministry of Planning), livestock GDP has an average growth rate of 5.0% during 2011 – 2014 and it is forecasted to grow continuously at growth rate of 6.1% to 6.5% during 2015 – 2018.

CPC is one of the first agro-industrial & food players in Cambodia. In 2011 – 2014, CPC's revenues increased continuously with CAGR (2011 – 2014) of 20.5% which is a positive growth rate and higher growth rate than Cambodia's GDP and Livestock GDP sector announced by the Cambodia government. In addition, CPC has solid business strategy plan in order to maintain its leader position in the market including the expansion in farm business by increasing their farming area to cover all regions in Cambodia, especially northern area. The enlargement of farming area shall also support feed business to grow at the same pace. For the food business, it is in the beginning period of its business, and generated quite small contribution to CPC's revenue or accounted for 2.6% of total revenue in 2014 compared to CPF's food business which is accounted for 12.0% of total revenue. Therefore, CPC plans to expand food kiosk and develop food recipe in order to match local consumer's taste in order to build up its sales. In addition, the

<sup>10</sup> Source: World Bank



changing in consumer behavior and the opening of modern trade retail in Cambodia are factors supporting its food business. As a result, the investment in CPC shall be considered as an investment in company with positive potential and clear filed in business growth for the next 5 years. This shall be considered such investments also contributed to the growth of CPF Group, and corresponds to one of CPF's missions – investing in capitalize growth opportunity in emerging markets.

#### 4.1.2. Create financial benefits to CPF Group and its shareholders

After acquisition of CPC's shares, CPF shall hold 100.0% of total issued and paid-up shares (presently held 25.0% of total issued and paid-up shares), and shall have fully control in CPC and its subsidiary (CPT); therefore, CPC will become an indirect subsidiary of CPF. As CPC's performances improved each year, when consolidating CPC's performances with CPF's financial statement shall make CPF's consolidated performances to increase. These higher figures shall also reflect to higher shareholders' equity portion and stock price.

#### 4.1.3. Business Restructuring

As CPG's businesses comprised of agro-industry and food, crop integration, retail, telecommunication, pharmaceutical and others, while CPF (directly and indirectly held by CPG totaled 44.3% of total issued and paid-up shares) is to operate integrated agro-industrial business from feed business, farm business, food business and retail business as same nature of business as CPC, and to be agro-industry and food business of CPG. Therefore, this Transaction may be considered business restructuring by moving CPC to be under CPF which is expected to increase flexibility in business management among CPF and CPC.

### 4.2. Pros and Cons of entering into the Transaction

#### 4.2.1. Pro of entering into the Transaction

##### 1. To invest in good potential and growth business

Since CPC has been established in Cambodia more than 20 years and is one of the leaders in the market, therefore, CPF is able to gain this competitive advantage as a market leader in Cambodia to expand or penetrate in other related businesses. For the year 2011 - 2014, CPC had its revenues' growth rate of 20.5% per annum and net profit's growth rate of 30.3% per annum. In 2014, CPC's total revenue was KHR 1,025.8 million (or equivalent to THB 8.3 million) and net profit was KHR 91.3 million (or equivalent to THB 0.7 million). Moreover, in the next 5 years, CPC plans to double its feed capacity and increase farm capacity to capture an expansion opportunity (mentioned earlier in 4.1.1). From these factors, CPC business is expected to grow continuously.



2. To create more opportunity in revenue and return in the future

After the acquisition of entire shares in CPC, CPF's consolidated financial statement shall include CPC's financial positions and performances. Regarding the financial projection for the next 5 year under the based case, CPC has expected to generate profit of KHR 67.9 billion per year or approximately THB 0.5 million<sup>11</sup> if CPC shall be able to operate as planned. However, the increase or decrease of CPC's net profit shall be affected by various factors as mentioned in 'Cons' or 'Risk' section of the Transaction.

3. To expand the food supply to cover over the Southern Mekong Subregion

Currently, CPF invests in many countries of Southern Mekong Subregion including Thailand, Laos, Vietnam and Cambodia. Cambodia is considered as a major source of agriculture raw material (i.e. rice, corn, cassava and beans etc.) for animal feed production since Cambodia's cultivated areas are still full of natural abundance and can produce good quality and high yield. The 100% acquisition of CPC's total issued and paid-up shares by CPF's subsidiary shall make CPF having food production base in Cambodia to support in the domestic market and be able to export to other countries in Southern Mekong Subregion. In addition, the Transaction will also contribute to a sustainable business of CPF.



		Type of Business			
		Feed	Terrestrial Farm	Aquatic Farm	Food
Countries of Southern Mekong	Thailand	✓	✓	✓	✓
	Cambodia	✓	✓		✓
	Laos	✓	✓		✓
	Vietnam	✓	✓	✓	✓

Note: The above data shows only country with factories and farms of CPF only

<sup>11</sup> Calculated based on foreign exchange rate of 0.0081 THB/KHR



#### 4. Reasonableness of the share price

IFA has estimated the value of CPC using several methodologies including Market-based methodology and Discounted cash flow (DCF) methodology in order to find the range of 'fair value' which is between THB 2,896.1 – 3,636.6 million (75.0% of total issued and paid-up shares) or equivalent to the fair value per share of THB 288,167.5 - 361,647.1, while the consideration price is THB 2,850.0 million or equivalent to THB 283,582.1 per share which is lower than the fair value by 1.6% - 21.7%. The Equity IRR is expected to be 17.3%, calculated at the consideration price and under the base case.

##### 4.2.2. Con of Entering into the Transaction

Risks which may affect the result of operations as follows;

1. The increasing competition from other major operators in the industry which may affect the market share of the CPC in the future.

2. The fluctuation of swine and chicken price which is based on supply and demand in Cambodia. In fact, swine price is fluctuated considerably compared to the chicken price in the past few years. Being a main business contribution to CPC's revenue representing 58.7% of total revenue in 2014, swine business has high impact on the CPC's performances due to price fluctuation factor. However, as CPC operates vertically integrated agricultural business from feed to farm and food, thus, CPC is able to mitigate and diversify risks at certain level by its internal management.

3. Other external factors i.e. outbreaks of animal diseases, natural disaster (droughts and floods) and political stability etc.

##### 4.2.3. Pro and Con of not entering into the Transaction

Pro	Con
<ul style="list-style-type: none"> <li>▪ CPF is able to use THB 2,850.0 million investing in other businesses or companies which may make higher return.</li> </ul>	<ul style="list-style-type: none"> <li>▪ If CPC is able to operate as estimated for base case, it can create relatively high return with expected Equity IRR of 17.3% (based on the calculation in base case and the acquisition price of THB 2,850.0 million)</li> </ul>

#### 4.3. Pros & Cons of Entering into the Transaction with 'Related' and 'Non-related' person

The IFA has analyzed and compared Pro and Con between the entering of the Transaction with 'Related' and 'Non-related' person as follows;

Pro	Con
Case 1 Invest in CPC <ul style="list-style-type: none"> <li>▪ CPC has been investing in the production and marketing for almost 20 years, and</li> </ul>	



	Pro	Con
	<p>becomes in leading position in Cambodian agricultural business. After the Transaction, CPF shall has fully control in CPC's operations, and take advantage from CPC as market leader in industry.</p>	
<p>Case 2 Invest in other company with same business type from non-related person</p>	<ul style="list-style-type: none"> <li>▪ This activity may provide better return and make CPF loose an opportunity investing in it.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CPF shall take longer time and process to invest in other company, such as to conduct due diligence process and acquisition process, project development or improvement before operations, or changing in internal management system to be in accordance with CPF system etc.</li> <li>▪ Doing business with non-related person may cause higher risk than doing business with related person (i.e. the difference in management systems or corporate culture etc.)</li> </ul>

#### 4.4. Reasonableness of the acquisition price

##### 4.4.1. Criteria and concept of share price valuation

IFA considered the reasonableness of the share price by employing several valuation approaches. The IFA has estimated the fair value of CPC's business (As-is) using several approaches as follows:

##### 1. Book Value Approach

The share price calculated using this approach represents the Company's book value at a point in time which does not take into consideration the Company's operational performance in the future as well as overall economic and industry conditions. Moreover, this approach may have limitation because the book value is affected by accounting policy of each company.

Therefore, Book Value Approach is less applicable than DCF approach and Market Comparable approach in evaluating CPC's fair value.

##### 2. Discounted Cash Flow Approach (DCF approach)

Theoretically, the DCF approach should reflect the intrinsic value of the appraised company by obtaining the present value of future Free Cash Flow. Therefore, IFA prepared the financial



projection over the next 5 years (Year 2015 - 2019). Most of assumptions in this valuation are based on the financial statement of the Company and related companies, management and related parties information, including the public information. The valuation is based upon a going-concern basis and the current position, as well as any significant changes that affect the business operation. Moreover, we have used historical data for financial projection preparation, including information and business policy for current operation of the Company and related companies. Those information are received from the Company's management and related officer.

IFA also conducted a sensitivity analysis of CPC share price based on different selling prices and gross profit margins. As a result, DCF approach is an appropriate approach in estimating the fair value of CPC.

### 3. Market Comparable Approach

Market comparable approach is based on the assumption that a company's market trading price correctly reflects the company's fair value. Therefore, CPC could be valued using relevant trading price multiples of companies in the same or similar business being traded on stock exchanges in Southeast Asia (SEA). Multiples are used in estimating CPC's equity value.

IFA has selected comparable companies based on the similarities of their businesses in Agro & Food industry, considering that a major proportion of revenue is from feed and farm businesses (more than 50% of total revenue) in Southeast Asia countries in order to reflect Emerging Market conditions like Cambodia.

IFA views that Enterprise Value to Earnings Before Interest, Tax, Depreciation and Amortization Ratio ("EV/EBITDA") and Price to Earnings Ratio ("P/E") are appropriate valuation ratios for CPC because these multiples take into accounts the market views on performance and outlook of the overall Agro & Food Industry. Price to Book Value Multiple - P/BV approach may have limitation because the book value of many comparable companies is affected by accounting policy and may not be comparable across peers.

#### 4.4.2. Book Value Approach

The book value approach is calculated using the shareholders' equity of the Company divided by the number of issued and paid up shares totaled 13,400 shares.

IFA calculates the book value of CPC based on latest audit consolidated financial statement as at 31 December 2014 audited by CPC's auditor according to the guideline specified by CPF. The detail of calculation is shown as follows:



As at 31 December 2014	KHR billion	THB billion
Issued and paid up share capital of USD 67,402,000.0 with par value of USD 5,030.0 per share	268.7	2.2
Premium Share	35.5	0.3
Retained Earning	12.9	0.1
Shareholders' equity of CPC as at 31 December 2014	317.1	2.6
Number of Shares (Shares)	13,400	13,400
Exchange Rate (KHR/THB) As at 16 February 2015	0.0081	0.0081
Book Value per Share (Unit per Share)	23,668,098.2	191,711.6

Based on the consolidated financial statements of CPC ended 31 December 2014, the share price of CPC is KHR 23,668,098.2 per share or THB 191,711.6 per share, which is THB 91,870.5 per share or -32.4% lower than the consideration price of THB 283,582.1 per share.

The share price is calculated by using this approach represents the Company's book value at a point in time which is not taking into consideration of the Company's operational performance in the future as well as overall economic and industry conditions. Moreover, this approach may not reflect the intrinsic value because fixed assets in Agro & Food industry may not reflect all the Company's operational performance. Therefore, the book value approach may not be appropriate for a comparison purpose.

#### 4.4.3. Discounted Cash Flow Approach (DCF Approach)

##### 1. Key Financial Assumptions for CPC valuation

IFA has simulated the financial projection for the CPC's ordinary shares valuation only. If there are economic or external factors, as well as any significant changes that affect the mentioned business assumptions, share valuation from DCF approach will change. The mentioned share valuation has not referred to the other objectives.

IFA calculated share price of CPC by present value of only CPC's financial projection in the future and included CPC's book value as at 31 December 2014, separately.

Therefore, IFA prepared the financial projection over the next 5 years. The valuation is based upon the current position, business plan and capital expenditure in next 5 years (2015 - 2019), excluding any merger/acquisition Transactions in the future. Moreover, IFA used historical data for financial projection preparation, including information and business policy for current operation of the Company and related



companies. Those information are received from the Company management and related officer. The details are shown as follows:

1) Total Revenue and Gross Profit Margin consist of (1) Revenue from feed business approximately 18.7 – 20.1% (2) Revenue from poultry farm business approximately 14.3 – 18.2% (3) Revenue from swine farm business approximately 52.8 – 57.2% (4) Revenue from food business approximately 3.6 – 11.3% and (5) other revenue approximately 1.5 – 2.3 % which is an interest income from related company at an interest rate of 10% per annum according to the loan agreement. The details are shown as follows:

(a) Revenue from Feed Business consists of revenue from products and distribute feed products for terrestrial animals and poultry under HI-GRO brand mainly swine food and chicken food which was sold to agriculturists, retailers and wholesalers. Feed business revenue is projected from 2 key factors as follows:

**Sell volume and growth rate** is based on average actual sell volume in 2014. It will increase by average feed industry growth rate during 2015 - 2019 to maintain CPC's market share close to 2014.

IFA has projected feed industry growth in Cambodia based on linear regression. We calculated a correlation between feed industry growth and livestock GDP growth during 2010 - 2014 and used these correlation and livestock GDP growth in 2015 – 2019, prepared by Ministry of Planning Cambodia to project feed industry growth in Cambodia as follows:

Actual feed volume sold In 2014	Growth rate per annum				
	2015	2016	2017	2018	2019
86.4 million kg.	15.5%	16.0%	16.3%	16.5%	16.5%

IFA calculated external feed sell volume from the table above and internal used in CPC's farm by projected poultry and swine sell volume detailed in item (b) and (c) over the next 5 years. Moreover, feedmill plant capacity of CPC will double within the next 5 years. From this, feed utilization rates will not exceed 85% during 2015 - 2019.

**Average selling price per kilogram and growth rate:** average selling price per kilogram is based on average actual selling price in 2014 of KHR 2,129.9 per kilogram. It will be increased by average actual growth rate over past 5 years (year 2010 - 2014) of approximately 1.2% and will remain constant over the forecast period to reflect the fluctuation of average selling price in the past as follows:



	2010	2011	2012	2013	2014	Average
Growth Rate	7.5%	3.7%	-5.5%	0.9%	-0.6%	1.2%

**Gross Profit Margin** is based on actual gross profit margins in feed business (excluded depreciation and amortization) over the past 5 years (year 2010 - 2014) or equal to an average gross profit margin of approximately 15.3% and constant over the forecast period comply with CPC's policy, which will enable CPC to pass on cost of raw material to its customers leaving CPC to have a relatively constant gross profit margin.

(b) Revenue from Poultry Farm Business consists of revenue from core products such as broilers, layers and native broilers. The revenue is projected from 2 key factors as follows:

**Sell volume and Growth rate** is based on average actual sell volume in 2014. It will be increased by projected growth rate by CPC's policy and business plan during 2015 - 2019 in the following table:

Sell Volume of poultry and swine In 2014 <sup>1/</sup>	Growth rate per annum of poultry sell volume				
	2015	2016	2017	2018	2019
75.0 million kilogram	12.0%	9.5%	9.3%	9.3%	9.2%

Note: <sup>1/</sup> poultry and swine portion 26.4: 73.6

The growth rate from table above is complying with the chicken consumption industry in Cambodia. IFA has projected feed industry growth in Cambodia by linear regression. We calculated correlation between chicken consumption industry growth and livestock GDP growth during 2010 - 2014 and used the correlation and livestock GDP growth in 2015 - 2019 of Ministry of Planning Cambodia to project the chicken consumption industry in Cambodia in the range of 8.0% - 8.6% during 2015 - 2019. It reflected that CPC is able to maintain market share at the same level as in 2014.

**Average selling price per kilogram and growth rate:** average selling price per kilogram is based on average actual selling price in 2014 of KHR 9,466.6 per kilogram. It will be increased by average actual growth rate over past 5 years (2010 - 2014) approximately -0.5% and constant over the forecast period to reflect the fluctuation of average selling price in the past as follows:

	2010	2011	2012	2013	2014	Average
Growth Rate	12.0%	-2.1%	-13.9%	7.6%	-5.9%	-0.5%



**Gross Profit Margin** is based on actual gross profit margins in poultry farm business (excludes depreciation and amortization) over past 5 years (2010 - 2014) or an average of gross profit margin of approximately 11.7% and constant over the forecast period.

(c) **Revenue from Swine Farm Business** consists of revenue from core products such as swine which sell to food processing plant of CPC and others. The revenue is projected from 2 key factors as follows:

**Sell volume and Growth rate** is based on average actual sell volume in 2014. It will be increased by projected growth rate by CPC's policy and business plan during 2015 - 2019 in the following table:

Sell Volume of poultry and swine  In 2014 <sup>1/</sup>	Growth rate per annum of swine sell volume				
	2015	2016	2017	2018	2019
75.0 million kilogram	28.7%	10.0%	10.0%	10.0%	10.0%

Note: 1/ poultry and swine portion 26.4: 73.6

The growth rate from the table above is higher than the swine consumption industry in Cambodia. IFA has projected feed industry growth in Cambodia by linear regression. We calculated correlation between swine consumption industry growth and livestock GDP growth during 2010 - 2014 and used these correlation and livestock GDP growth in 2015 - 2019, prepared by Ministry of Planning Cambodia to project the swine consumption industry in Cambodia in the range of 5.8% - 6.2% during 2015 - 2019. It reflected that CPC is able to increase the market share in the range of 4.1% - 8.9% from market share in 2014 to offset import portion.

**Average selling price per kilogram and growth rate:** average selling price per kilogram is based on average actual selling price in 2014 of KHR 10,913.1 per kilogram. In 2014, average swine selling price significantly increase at 15.8% from the previous year because consumption demand in Cambodia was higher than swine supply in the market. Therefore, the 2015 selling price will be based on average selling price as of January 2015 which decreased approximately -15.3% from the previous year to reflect current situation. It will be increased by average actual growth rate over the past 6 years (2010 - 2015) approximately 3.0% and will remain constant over the forecast period to reflect the fluctuation of average selling price in the past as follows:

	2010	2011	2012	2013	2014	2015	Average
Growth Rate	9.4%	20.9%	-19.0%	6.4%	15.8%	-15.3%	3.0%



**Gross Profit Margin** is based on actual gross profit margins in swine farm business (excludes depreciation and amortization) over past 5 years (2010 - 2014) or equal to an average gross profit margin of approximately 18.1% and constant over the forecast period.

(d) Revenue from Food business consists of revenue from processing food and ready-to-eat food such as sausages, pork rolls and chicken rolls. The revenue is projected from 2 key factors as follows:

**Sell volume and Growth rate** is based on average actual sell volume in 2014. It will be increased by average growth rate over the past 5 years during 2010 - 2014 approximately 27.2% and remain constant over the forecast period in the following table:

Sell Volume In 2014	Growth rate per annum					
	2010	2011	2012	2013	2014	Average
2.6 million kilograms	-57.2%	29.7%	153.7%	8.0%	1.9%	27.2%

CPC has policy to develop the food with localized taste in order to meet its consumers as well as to increase distribution channel.

**Average selling price per kilogram and growth rate:** average selling price per kilogram is based on average actual selling price in 2014 of KHR 10,342.9 per kilogram. It will be increased by average actual growth rate over past 5 years (2010 - 2014) approximately 21.0% and remain constant over the forecast period to reflect the fluctuation of average selling price in the past as follows:

	2010	2011	2012	2013	2014	Average
Growth Rate	9.2%	89.5%	-15.1%	14.9%	6.5%	21.0%

**Gross Profit Margin** is based on actual gross profit margin in food business (excludes depreciation and amortization) over past 5 years (2010 - 2014) or equal to an average gross profit margin of approximately 2.5% and constant over the forecast period.

(e) Others Revenues is only interest income from related company at 10% per annum. CPC enter into two loan agreements with CPT amounted KHR 30 billion for 10 years during 2012 - 2024.

2) Distribution Expenses consists of transportation expenses, advertising and public relation, salary, tax and commission, rent, travelling, depreciation and others. Most distribution expenses are



variable expenses varied by total revenue. The variable expenses are relied on the average actual percentage of total revenue approximately 2.1% - 3.1% during 2010 - 2014. Therefore, distribution expenses are based on the average actual percentage of total revenue over the past 5 years (2010 - 2014) approximately 2.6% and constant over the forecast period.

3) Administrative expenses comprised of fixed expenses such as salary, fringe benefit, rental fee from CPT and others which, in total, are approximately 45.0% - 52.0%. While variable expenses, including royalty fee for CPG from each business, travelling, maintenance, commission, depreciation and others, are approximately 48.0% - 55.0% of total revenue. The details are shown in the following table.

Decryption	Base Year	Assumption in 2015F-2019F					
Salary	Based on actual cost in 2014	Growth rate 5% per annum					
Rental Expense from CPT		Constant by long-term rental agreement. The rental rate is fixed expense over term.					
Other Rental expenses		Growth rate 3.5 % per annum (based on projected inflation rate in Cambodia)					
Royalty Fee		The percentage of total revenue from each business which is specified in 2-year technical agreement					
Other variable expenses		Based on average actual other variable expenses over past 5 years (2010 - 2014) approximately 1.5% of total revenue					
Depreciation and Amortization		<p>A straight-line depreciation at different useful life assumptions are applied to each asset class' useful life according to accounting policy as follows:</p> <table style="margin-left: 40px;"> <tr> <td>1. Machinery and equipment</td> <td>4</td> <td>years</td> </tr> <tr> <td>2. Building</td> <td>20</td> <td>years</td> </tr> </table> <p>All depreciation and amortization is allocated to cost of goods sold each business approximately 85.3%, distribution expenses approximately 4.7% and administration expenses approximately 10.0% which are based on actual portion over the past 5 years (2010 - 2014).</p>	1. Machinery and equipment	4	years	2. Building	20
1. Machinery and equipment	4	years					
2. Building	20	years					

4) Interest Expense In the forecasted period, the average interest rate based on LIBOR 6 months as at 16 February 2015 is 0.3809% for long-term loan from many financial Institutions is 3.4%.The said interest rate will be stable over the forecast period.

5) Tax Expense It is based on 20% of net profits by Law of Cambodia.



6) Working Capital based on actual historical ratios in 2014 to reflect current situation of CPC. It will be stable over the forecasted period as follows:

Description	Average days
Accounts receivable days	21 days
Inventory days	47 days
Accounts payable days	29 days
Current biological asset days	79 days

7) Capital Expenditure CPF's capital expenditures are investment in expanding production capacity in feed business, buying breeders and investing in machinery and equipment in food business. The details are shown in the following table.

KHR Million	2015F <sup>1/</sup>	2016F	2017F <sup>1/</sup>	2018F	2019F
Capital Expenditure	112.3	51.8	133.0	20.1	19.6

Note: <sup>1/</sup> 2015 and 2017 CAPEX are mainly from investment in farm business

8) Terminal Growth Rate it is based on inflation rate of approximately 3.5% since 2019 onwards. The inflation rate is projected by Ministry of Planning, Cambodia.

## 2. Discounted Cash Flow Approach: DCF Approach

Under DCF approach, the IFA calculates the net present value of future cash flows of CPC as at 1 January 2015 using an appropriate discount rate. IFA considers an appropriate discount rate as follows:

Discount Rate: The discount rate, used to calculate the present value of the Company's future free cash flow, is based on the Weighted Average Cost of Capital (WACC) of the Company, according to its capital proportion.

### Calculation of WACC:

$$\text{WACC} = K_e(E/(D+E)) + K_d(1-t)(D/(D+E))$$

Whereas;

$$K_e = \text{Cost of Equity}$$

$$K_d = \text{Cost of Debt, as average loan interest rate of CPC}$$



approximately 3.4% (LIBOR 6 month as at 16 February 2015)

t = Corporate Income Tax =20%

E = Shareholders' Equity

D = Interest Bearing Debts

D/E Ratio = Average of CPC's capital structure as at 31 December 2014 = 0.5 times

Calculation of cost of equity (Ke):

Due to limitation of cost of equity (Ke) information in Cambodia,

IFA based on (1) CPF's Cost of Equity (Ke) approximately 11.0% (Source: Bloomberg) and (2) calculated Cost of Equity (Ke) from Capital Asset Pricing Model ("CAPM") as follows:

$$Ke = R_f + \beta * (R_m - R_f)$$

Whereas;

Risk Free Rate (Rf) Based on interest rate on government bond 10 years as at 16 February 2015 = 2.7%. Theoretically and practically, Rf is based on T-Bond in general in order to reduce risk from the fluctuation of reinvestment interest rate

Market Return (Rm) Based on return on investment in SET past over 10 years (January 2006- January 2015) = 12.7%

Adjusted Beta (  $\beta$  ) Based on CPF's Leverage Beta as shareholder over past 10 years (January 2006 - January 2015) (Source: Bloomberg) to justify cost of equity (Ke) = 0.71

As a result;

$$Ke = 2.7\% + 0.71 * (12.7\% - 2.7\%) = 9.8\%$$

The Costs of Equity (Ke) calculated from Capital Asset Pricing Model ("CAPM") and CPF's Ke are 9.8% and 11.0%, respectively. Both Ke results are adjusted by the difference in Country Risk Premium between Thailand, approximately 2.9%, and Cambodia, approximately 9.9%, then multiply by



Median Comparables' Beta of selected peers in Southeast Asia of 0.66 times. The average Cost of Equity (Ke) derived is 15.0%.

Therefore, IFA has arrived at Weighted Average Cost of Capital (WACC) of CPC's capital structure at approximately 11.0%.

Table 4-1 Summary forecasted net cash flow of CPC in 2015 - 2019

Unit: KHR billion	2015F	2016F	2017F	2018F	2019F
Cash flow from operation:					
EBIT * (1-tax)	62.1	63.6	69.1	78.0	101.2
Plus: Depreciation-Fixed Assets	23.3	36.3	46.3	54.3	46.7
Depreciation-Non Current Biological Assets	25.2	26.5	27.6	20.3	6.6
Less: Change in working Capital	-39.9	-37.6	-42.5	-49.2	-55.0
<b>Net Cash flow from Operation</b>	<b>70.7</b>	<b>88.8</b>	<b>100.5</b>	<b>103.4</b>	<b>99.5</b>
Cash flow from investing:					
Less: CAPEX-Fixed Assets	-93.0	-43.2	-124.9	-11.7	-10.9
CAPEX-Non Current Biological Assets	-19.3	-8.6	-8.1	-8.4	-8.7
<b>Net Cash flow from Investing</b>	<b>-112.3</b>	<b>-51.8</b>	<b>-133.0</b>	<b>-20.1</b>	<b>-19.6</b>
<b>Net Cash flow</b>	<b>-41.6</b>	<b>37.0</b>	<b>-32.5</b>	<b>83.3</b>	<b>79.9</b>
Discount Rate @11.0%	0.90	0.81	0.73	0.66	0.59
<b>Present Value of Net Cash flow</b>	<b>-37.5</b>	<b>30.0</b>	<b>-23.8</b>	<b>54.9</b>	<b>47.4</b>

Table 4-2 Equity Value

Unit: KHR billion	As at 1 January 2015
Present Value of Net Cash flow during 2015 - 2019	71.0
Present Value of Net Cash flow since 2020 onwards	654.2 <sup>1/</sup>
<b>Enterprise Value</b>	<b>725.2</b>
Plus: Cash on hand and at bank as at 31 December 2014	11.5
Loan to related company as at 31 December 2014	30.0
Less: Interest bearing Debt	169.4
<b>Equity Value – CPC</b>	<b>597.3</b>
Plus: 49% of Book value of CPT as at 31 December 2014	1.3
<b>Total Equity Value – CPC</b>	<b>598.6</b>
Number of shares @ par value 5,030.0 USD/Share	13,400
<b>Price per Share (KHR)</b>	<b>44,672,475.5</b>
Exchange Rate (KHR/THB) as at 16 February 2015	0.0081
<b>Price per Share (THB)</b>	<b>361,847.1</b>

Note: <sup>1/</sup> Calculated from terminal growth rate of 3.5% as referred from Cambodia inflation rate



Based on CPC's free cash flow discounted by WACC while takes into account the percentage of holding the related companies, the theoretical share price of the CPC using the Discounted Cash flow Approach is THB 361,847.1 per share which is higher than the consideration price at THB 78,265.0 per share or by 27.6%.

IFA also conducted a sensitivity analysis of CPC's share price based on the different WACCs and Terminal Growth Rates in the range of +/-0.5%. The CPC's share prices from the sensitivity analysis are presented below:

Equity Value (THB per share)		Terminal Growth Rate				
		2.5%	3.0%	3.5%	4.0%	4.5%
Discount Rate	10.0%	378,432.6	409,841.8	446,083.1	488,364.7	538,333.8
	10.5%	343,056.7	370,045.6	400,890.1	436,480.0	478,001.4
	11.0%	311,953.5	335,341.1	<b>361,847.1</b>	392,139.6	427,092.5
	11.5%	284,408.7	304,827.3	327,798.2	353,831.8	383,584.6
	12.0%	259,858.2	277,803.4	297,859.8	320,423.2	345,995.1

From the table above, the theoretical share price of CPC using sensitivity analysis is in a range of THB 259,858.2 - 538,333.8 per share, which is lower and higher than the consideration price at THB -23,723.9 and 254,751.7 per share or by -8.4% and 89.8%, respectively.

#### Sensitivity Analysis

Since nature of business's CPC is subject to volatility due to several uncontrollable external factors such as meat demand and supply in Cambodia, intensity of competition level in Cambodia and outside would affect selling price, gross profit margin and increase or decrease in prices of raw material. These factors could adversely affect CPC's equity value; therefore, IFA has prepared a sensitivity analysis on key drivers that significantly affect fair value of CPC. Such key sensitizing factors include.

- Selling price per unit

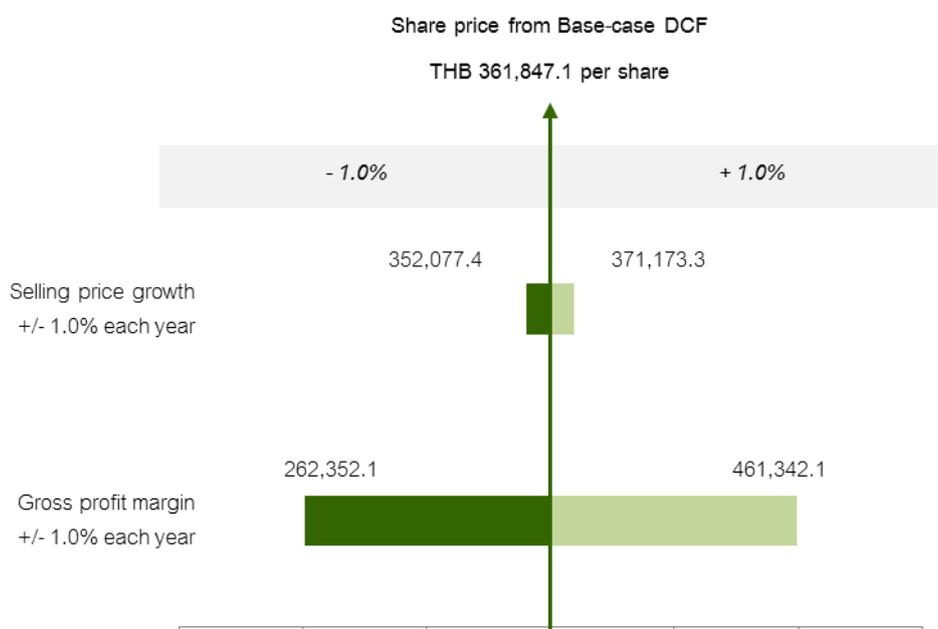
Changes in selling price per unit could be caused by intensity of competition level in Cambodia and outside and meat supply insufficient meat demand. An increase or decrease of 1.0% from the base case would increase the base case equity value at WACC 11.0% of THB 361,847.1 per share by THB 9,326.2 per share or 2.6% to THB 371,173.3 per share and decrease by -9,769.7 per share or -2.7% to THB 352,077.4 per share. Therefore, every change in selling price increase or decrease of 1.0% from the



base case which results share price of CPC change increase or decrease approximately THB 9,326.2 - 9,769.7 per share.

■ Gross Profit Margin (GPM)

Changes in GPM could be caused by changes in main raw material prices and proportion of sales or increase in competition. An increase or decrease of 1.0% from the base case would increase the base case equity value at WACC 11.0% of THB 361,847.1 per share by THB 99,495.0 per share or 27.5 % to THB 461,342.1 per share and decrease by -99,495.0 per share or -27.5 % to THB 262,352.1 per share. Therefore, every change in GPM increase or decrease of 1.0% from the base case which results share price of CPC change increase or decrease approximately THB 99,465.1 per share.



4.4.4. Market Comparable Approach

Market comparable approach assumes that companies with similar business nature, operations and environment should have similar multiples. Based on this approach, the IFA primarily selected comparable group among companies operate in agro & food industry, considering the proportion of revenue from feed and farm business (more than 50% of total revenue) in Southeast Asia countries in order to reflect Emerging Market conditions like Cambodia as follows:



Company	Business	Market Capitalization <sup>1/</sup> (THB m)	Revenue Proportion from Farm & Feed Business <sup>2/</sup>
Charoen Pokphand Foods PCL (CPF)	CPF produces and sells animal feed and provides live animals breeds, products from live animals and basic processed meat and cooked, semi-cooked, and ready-to-eat food products under various brands.	189,702	85%
QL Resources Bhd (QL)	QL is engaged in the integrated livestock farming in Malaysia, Indonesia, Vietnam, and China. The company operates through Marine-Products Manufacturing, Integrated Livestock Farming and Palm Oil and Biomass Energy Activities segments.	44,916	61%
San Miguel Pure Foods Company, Inc (PF)	PF provides food products and services in the Philippines and internationally through Agro-Industrial, Value-Added Meats and Milling.	25,680	73%
PT Japfa Comfeed Indonesia (JPFA)	JPFA is engaged in animal feed manufacturing, chicken breeding, poultry processing, and aquaculture farming activities in Indonesia.	22,658	86%
GFPT PCL (GFPT)	GFPT produces and distributes frozen and cooked chicken products in Thailand and internationally. The company is involved in chicken evisceration activities, feed mill and processed food products.	19,058	95%
PW Consolidated Bhd (PW)	PW offers broiler farming services to wholesalers and retailers and produces livestock feeds under the NUTRIFEEDS brand.	859	99%

Source: Capital IQ and 2014 Financial statements

Note: 1/ Market Capitalization as at 16 February 2015

2/ Revenue Proportion from Farm & Feed Business in 2014

Based on comparable companies classified above, trading multiples of each company are as follows:

Company	EV/EBITDA		P/E		Adjusted Beta
	2014E	2015E	2014E	2015E	
CPF	12.6x	10.6x	20.2x	21.1x	0.71
QL	15.8x	15.1x	25.8x	23.2x	0.61
PF	3.9x	3.4x	11.0x	9.6x	0.71
JPFA	9.8x	7.6x	21.5x	13.0x	1.31
GFPT	9.0x	8.0x	10.1x	9.0x	0.59
PW	n.a.	n.a.	9.2x	8.5x	0.46
<b>Average</b>	<b>10.2x</b>	<b>8.9x</b>	<b>16.3x</b>	<b>14.0x</b>	<b>0.73</b>
<b>Median</b>	<b>9.8x</b>	<b>8.0x</b>	<b>15.6x</b>	<b>11.3x</b>	<b>0.66</b>

Source: Capital IQ and 2014 financial statements



For the market comparable approach, the IFA has selected the followings multiples to value CPC's equity or enterprise value.

- EV/EBITDA Multiple
- P/E Multiple

IFA has used estimated performance in 2014 and 2015 to project operational metric of CPC and median trading comparable companies to determine the value of CPC's enterprise and equity value. For a conservative basis, IFA adjusted equity value of CPC with 30% discount lack of marketability<sup>12</sup> because CPC is a private company which is less marketability than listed company.

Graph 4-1 Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization Ratio (EV/EBITDA)

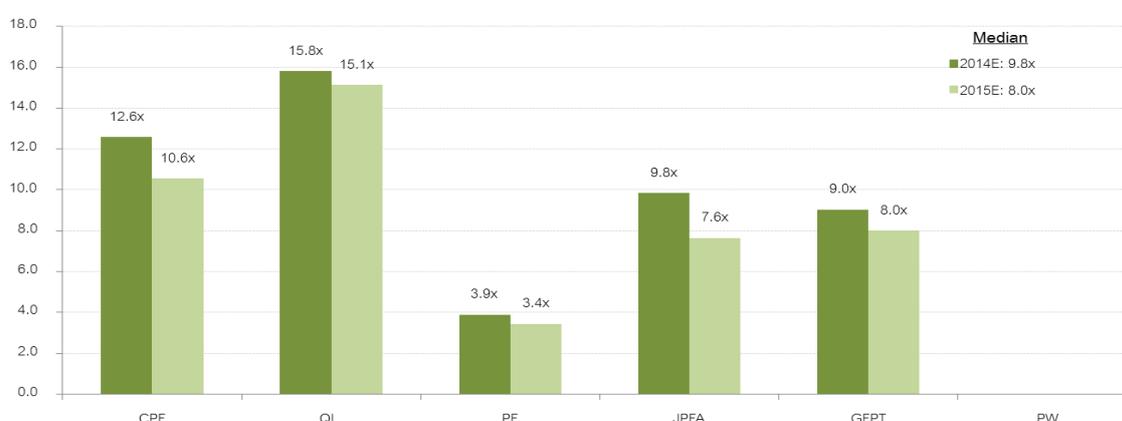


Table 4-3 Share Price by EV/EBITDA approach

Unit: KHR billion	2014F	2015F
EV/EBITDA Multiple	9.8x	8.0x
Actual EBITDA in 2014 and Projected EBITDA in 2015	132.0	100.9
<b>Enterprise Value</b>	<b>1,299.2</b>	<b>807.0</b>
Plus: Cash on hand and at bank as at 31 December 2014	11.5	11.5
Loan to related company as at 31 December 2014	30.0	30.0
Less: Interest bearing Debt	169.4	169.4
<b>Equity Value – CPC</b>	<b>1,171.3</b>	<b>679.2</b>
Discount Lack of Marketability	30%	30%
<b>Equity Value after Discount (Equity Value) – CPC</b>	<b>819.9</b>	<b>475.4</b>
Plus: 49% of Book value of CPT as at 31 December 2014	1.3	1.3
<b>Total Equity Value – CPC</b>	<b>821.2</b>	<b>476.7</b>
Number of shares @ par value 5,030.0 USD/Share	13,400 shares	13,400 shares

<sup>12</sup> Calculated from an average of (1) the average of lack of marketability from studies since 2000 onwards and (2) sample acquisition Transaction of private company in Agro & food industry in 2014.



Unit: KHR billion	2014F	2015F
Price per Share (KHR)	61,284,683.1	35,576,231.4
Exchange Rate (KHR/THB) as at 16 February 2015	0.0081	0.0081
Price per Share (THB)	496,405.9	288,167.5

The theoretical share price of CPC using this approach is in a range of THB 288,167.5 - 496,405.9 per share, which is higher than the consideration price by THB 4,585.4 - 212,823.8 per share or by 1.6 - 75.0%

Graph 4-2 Price to Earnings Multiple Ratio (P/E Multiple)

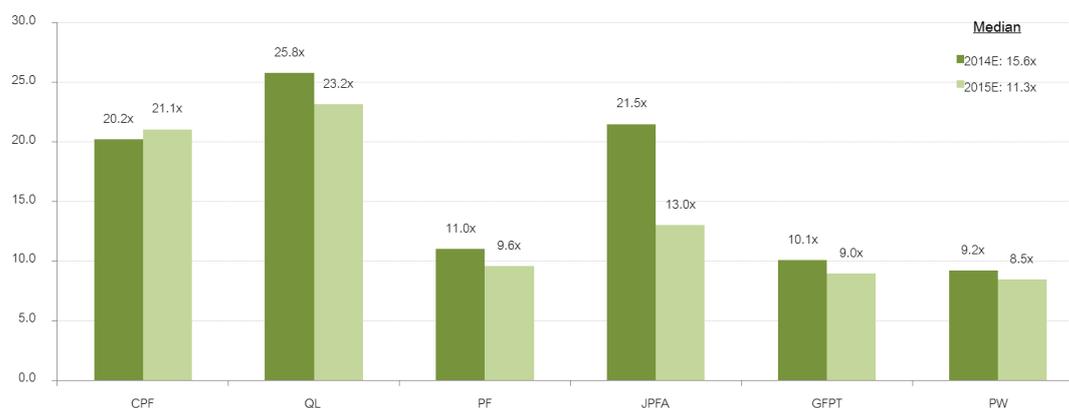


Table 4-4 Share Price by P/E multiple approach

Unit: KHR billion	2014F	2015F
P/E Multiple	15.6x	11.3x
Actual net profit in 2014 and projected net profit in 2015	90.8	56.8
Equity Value - CPC	1,417.5	642.2
Discount Lack of Marketability	30%	30%
Equity Value after Discount (Equity Value) - CPC	992.2	449.5
Plus: 49% of Book value of CPT as at 31 December 2014	1.3	1.3
Total Equity Value - CPC	993.5	450.8
Number of shares @ par value 5,030.0 USD/Share	13,400 shares	13,400 shares
Price per Share (KHR)	74,142,217.0	33,644,560.0
Exchange Rate (KHR/THB) as at 16 February 2015	0.0081	0.0081
Equity Value after Discount (Equity Value) - CPC	600,552.0	272,520.9

The theoretical share price of CPC using Price to Earnings Multiple approach is in a range of THB 272,520.9 - 600,552.0 per share, which is lower and higher than the consideration price by THB 11,061.2 and 316,969.9 per share or by -3.9% and 111.8%, respectively.

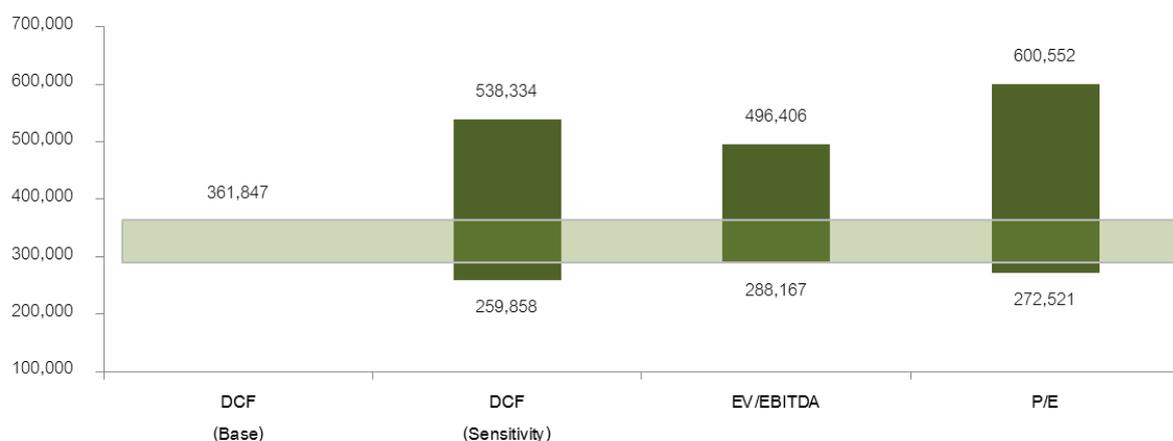


#### 4.4.5. Summary of the reasonableness of acquisition price

The IFA has studied, reviewed and analyzed information, under the conditions and certain limitations as discussed in previous sections using various valuation approaches and has the opinion that the fair valuation range of CPC shown in the following table:

Valuation approaches	CPC's share price	Consideration price	Higher or lower than consideration price	
	THB per Share	THB per Share	THB per Share	Percentage
<b>1. DCF Approach</b>				
1.1 Base Case	361,847.1	283,582.1	78,295.0	27.6%
1.2 Sensitivity Analysis	259,858.2 - 538,333.8	283,582.1	-23,723.9 - 278,475.7	-8.4% - 89.8%
<b>2. Market Comparable Approach</b>				
2.1 EV/EBITDA Multiple	288,167.5 - 496,405.9	283,582.1	4,585.4 - 212,823.8	1.6% - 75.0%
2.2 P/E Multiple	272,520.9 - 600,552.0	283,582.1	-11,061.2 316,969.9	-3.9% - 111.8%

Graph 4-3 Comparison Share Valuation



IFA has the opinion that the fair valuation range of CPC should be between THB 288,167.5 - 361,847.1 per share or approximately THB 2,896.1 – 3,636.6 million (which is equivalent to 75% of total issued and paid up share). The share price is lower by 1.6%-27.6% than fair value at THB 2,850.0 million or THB 283,582.1 per share or the 2015E Implied P/E ratio of 8.4x-10.5x<sup>13</sup> compared with industry at 11.3x. The IFA is

<sup>13</sup> Based on fair value THB 3,861.4 – 4,848.8 million (which is equivalent to 100% of total issued and paid up share capital)



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of the opinion that the consideration price of THB 2,850.0 million or equivalent to THB 283,582.1 per share is appropriate.



## 5. Summary of the opinion of the Independent Financial Advisor

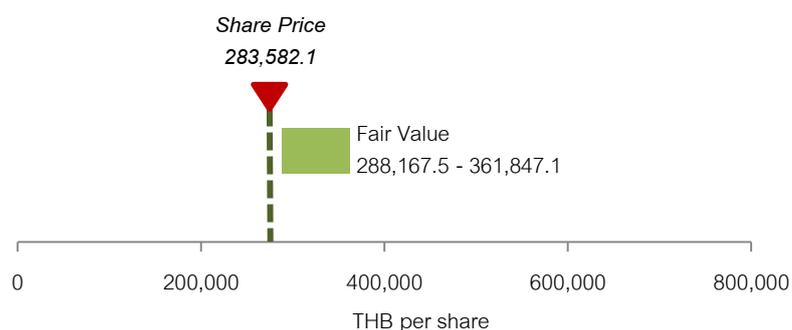
Refer to Board of Directors meeting of Charoen Pokphand Foods Public Company Limited (“CPF”) No. 2/2015 held on 26 February 2015, Board of Directors has approved to propose the 75% investment in C.P. Cambodia Company Limited (“CPC”) to the Annual General Shareholders’ Meeting No. 1/2015, which will be held on 22 April 2015, for approval. CPF Investment Limited (“CPFI”), a wholly-owned subsidiary of CPF, will acquire 10,050 shares or equivalent to 75.0% of total issued and paid-up shares of CPC from Orient Success International Limited (“OSIL”), an indirectly subsidiary of Charoen Pokphand Group Company Limited (“CPG”), with the total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share. After the Transaction, CPC and its subsidiary will become an indirect subsidiary of CPF through CPFI which will hold 100.0% of total issued and paid-up shares of CPC (before the Transaction, CPFI hold 25.0% of total issued and paid-up shares). The acquisition of CPC’s shares is considered as the connected Transaction as CPF and OSIL are considered as related persons in accordance with the Notification of the Capital Market Supervisory Board and the Notification of the Board of Governors of the Stock Exchange of Thailand.

Avantgarde Capital Company Limited has been appointed as the Independent Financial Advisor (“IFA”) of the Transaction in order to provide an opinion on the acquisition of CPC’s shares to CPF’s shareholders. IFA reviewed and analysed data related to the Transaction, interviewed CPC and CPF management on current and future operations and business plans, and analysed macroeconomic and market conditions in Cambodia. This study was also to analysis on Pro and Con of entering and not entering into the Transaction with OSIL. As a result, the IFA has opinion that **the acquisition of CPC shares is reasonable**. After the Transaction, CPF (which invest in CPC through CPFI and hold 100.0% of total issued and paid-up shares) have fully control and management in CPC, therefore, 100.0% of CPC performances will be included in CPF Group performances for both revenue and profit, whereby CPC, one of the leading players in feed and farm business, has shown and proved high growth in its performances during the past 4 years. In addition, CPC also has planned on its 3 businesses’ growth, feed, farm and food business, for the next 5 years. The plan has expected to create additional values to CPF Group. Besides that, the investment in CPC shall also fulfill the last jigsaw of food production base in Southern Mekong Subregion and also be consistent with CPF policy and strategy plan.

For share price perspective, the IFA has an opinion that the acquisition of 10,050 shares in CPC with total consideration of THB 2,850.0 million or equivalent to THB 283,582.1 per share (which is equivalent to 75.0% of total issued and paid-up shares) **is reasonable price**. The share price is lower by 1.6% - 27.6% than fair value in range of THB 2,896.1 – 3,636.6 million or equivalent to THB 288,167.5 – THB 361,847.1 per share. In addition, based on the investment of THB 2,850.0 million and normal operation as planed (Base Case), the expected Equity IRR will be 17.3%.



Graph 5-1 Comparison between Fair Value and Share Price



The IFA has an opinion that the acquisition of 10,050 shares in CPC with share price of THB 2,850.0 million from OSIL is reasonable Transaction and the shareholders shall approve for the Transaction.

To consider the acquisition of CPC shares, shareholders shall consider information, opinion and other details prepared by the IFA as mentioned before i.e. assumptions for projected financial performances which are based on financial statements and actual data in the past 5 years (2010 – 2014) and future business plan for the next 5 years (2015 – 2019), the sensitivity analysis to evaluate the impact of fair value once the major assumptions has been changed such as selling price and gross profit margin etc. as well as considering Pros and Cons of entering into the Transaction. However, the decision to approve or disapprove for this Transaction is subject to the consideration of shareholders.

Independent Financial Advisor  
Avantgarde Capital Company Limited

(Miss Sattaya Mahattanaphanij)  
Director



## 6. Appendix

### Summary of key item separate financial statement of CPC

- Statement of Comprehensive Income

	2011		2012		2013		2014	
	KHR billion	%						
Net sales	586.5	100.0%	714.2	100.0%	903.9	100.0%	1,025.8	100.0%
Cost of sales	(492.2)	(83.9%)	(652.1)	(91.3%)	(784.1)	(86.7%)	(821.6)	(80.1%)
Gross profit	94.3	16.1%	62.0	8.7%	119.8	13.3%	204.2	19.9%
Other incomes	1.3	0.2%	1.6	0.2%	10.7	1.2%	0.3	0.0%
SG&A expenses	(43.0)	(7.3%)	(53.3)	(7.5%)	(71.3)	(7.9%)	(88.2)	(8.6%)
EBIT	52.7	9.0%	10.4	1.4%	59.2	6.5%	116.3	11.3%
Financial cost	(0.8)	(0.1%)	(3.1)	(0.4%)	(5.8)	(0.6%)	(4.6)	(0.4%)
EBT	51.8	8.8%	7.3	1.0%	53.4	5.9%	111.7	10.9%
Income Tax	(10.5)	(1.8%)	(1.7)	(0.2%)	(11.0)	(1.2%)	(22.7)	(2.2%)
Net profit	41.3	7.0%	5.6	0.8%	42.4	4.7%	89.0	8.7%

Source: Separate Financial Statement of CPC

- Statement of Financial Position

	31 Dec 2011		31 Dec 2012		31 Dec 2013		31 Dec 2014	
	KHR billion	%						
<b>Assets</b>								
Cash & cash equivalents	15.0	4.4%	5.9	1.4%	9.9	2.1%	11.6	2.0%
Account receivables – trade & others	33.4	9.9%	34.5	8.0%	34.6	7.4%	57.8	10.2%
Advanced Tax Payment	-	-	5.5	1.3%	-	-	-	-
Inventories	141.5	41.8%	94.0	21.7%	77.0	16.5%	104.6	18.4%
Biological assets <sup>1/</sup>	-	-	118.9	27.4%	113.4	24.4%	133.7	23.5%
<b>Total current assets</b>	<b>189.9</b>	<b>56.1%</b>	<b>258.8</b>	<b>59.7%</b>	<b>234.9</b>	<b>50.5%</b>	<b>307.7</b>	<b>54.2%</b>
Biological assets	65.2	19.3%	59.4	13.7%	59.8	12.8%	72.1	12.7%
Loan to related party	1.3	0.4%	3.5	0.8%	30.0	6.4%	30.0	5.3%
Investment in subsidiary	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Property, plant and equipment	81.9	24.2%	112.1	25.8%	140.8	30.2%	158.2	27.9%
<b>Total non-current assets</b>	<b>148.4</b>	<b>43.9%</b>	<b>175.0</b>	<b>40.3%</b>	<b>230.6</b>	<b>49.5%</b>	<b>260.3</b>	<b>45.8%</b>



	31 Dec 2011		31 Dec 2012		31 Dec 2013		31 Dec 2014	
	KHR billion	%						
<b>Total assets</b>	<b>338.3</b>	<b>100.0%</b>	<b>433.8</b>	<b>100.0%</b>	<b>465.5</b>	<b>100.0%</b>	<b>568.0</b>	<b>100.0%</b>
<b>Liabilities</b>								
Bank OD and short-term loans from financial institutions	-	-	4.7	1.1%	1.2	0.3%	4.1	0.7%
Promissory note	60.5	17.9%	159.7	36.8%	143.0	30.7%	165.4	29.1%
Account payable – trade & others	49.1	14.5%	39.3	9.1%	47.0	10.1%	64.3	11.3%
Tax liabilities	4.9	1.5%	0.7	0.2%	0.8	0.2%	13.2	2.3%
<b>Total current liabilities</b>	<b>114.5</b>	<b>33.9%</b>	<b>204.4</b>	<b>47.1%</b>	<b>192.0</b>	<b>41.3%</b>	<b>247.0</b>	<b>43.5%</b>
Deferred tax liabilities	-	-	-	-	1.6	0.4%	1.0	0.2%
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.6</b>	<b>0.4%</b>	<b>1.0</b>	<b>0.2%</b>
<b>Total liabilities</b>	<b>114.5</b>	<b>33.9%</b>	<b>204.4</b>	<b>47.1%</b>	<b>193.7</b>	<b>41.6%</b>	<b>248.0</b>	<b>43.7%</b>
<b>Shareholders' equity</b>								
Share capital	146.9	43.4%	187.1	43.1%	187.1	40.2%	268.8	47.3%
Premium of share capital	35.5	10.5%	35.5	8.2%	35.5	7.6%	35.5	6.2%
Retained earnings	41.4	12.2%	6.8	1.6%	49.2	10.6%	15.7	2.8%
<b>Total shareholders' equity</b>	<b>223.8</b>	<b>66.1%</b>	<b>229.4</b>	<b>52.9%</b>	<b>271.8</b>	<b>58.4%</b>	<b>320.0</b>	<b>56.3%</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>338.3</b>	<b>100.0%</b>	<b>433.8</b>	<b>100.0%</b>	<b>465.5</b>	<b>100.0%</b>	<b>568.0</b>	<b>100.0%</b>

Source: Separate Financial Statement of CPC

Note: 1/ There is no biological assets in 2011 because CPC has started to separate its biological assets from inventories in 2012.

- Financial Ratio

	2011	2012	2013	2014
<b>Liquidity ratio</b>				
Current ratio (times)	1.66	1.27	1.22	1.25
Quick ratio (times)	0.42	0.22	0.23	0.28
Account receivable day (days)	21	18	14	21
Inventory day (days)	57 <sup>1/</sup>	53	36	46
Account payable day (days)	36	22	22	29
Biological assets day (days)	47 <sup>2/</sup>	67	53	59
Cash Cycle (days)	89	48	28	38



	2011	2012	2013	2014
<b>Profitability ratio</b>				
Gross profit margin (%)	3.7%	8.7%	13.3%	19.9%
Operating profit margin (%)	8.8%	1.2%	5.4%	11.3%
Net profit margin (%)	7.0%	0.8%	4.7%	8.7%
Return-to-equity (%)	18.4%	2.4%	15.6%	27.8%
<b>Efficiency ratio</b>				
Assets turnover (times)	1.73	1.65	1.94	1.81
<b>Financial policy ratio</b>				
Debt-to-equity ratio (times)	0.51	0.89	0.71	0.78
Interest coverage ratio (times)	61.36	2.83	8.31	25.34

Note: 1/ Inventory day in 2011 is calculated from inventories deducted by work in progress & livestock from note to financial statement of CPC in 2012.

2/ Biological assets day in 2011 is calculated from work in progress & livestock from note to financial statement of CPC in 2012.