

-Translation-

Independent Financial Advisor Report

Opinion on a connected transaction in relation to an acquisition of
majority interest in C.P. Pokphand Company Limited

To



Charoen Pokphand Foods Public Company Limited

by



Asia Plus Advisory Company Limited

28 November 2011

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Definitions

000876	refers to	Sichuan New Hope Agribusiness Co., Ltd.
002100	refers to	Xinjiang Tiankang Animal Science Bio-Technology Co., Ltd.
002157	refers to	Jiangxi Zhengbang Technology Co., Ltd.
002234	refers to	Shandong Minhe Animal Husbandry Co., Ltd.
002299	refers to	Fujian Sunner Development Co., Ltd.
002311	refers to	Guangdong Haid Group Co., Ltd.
002385	refers to	Beijing Dabeinong Technology Group Co., Ltd.
002458	refers to	Shandong Yisheng Livestock and Poultry Breeding Co., Ltd.
002477	refers to	Henan Chuying Agro-Pastoral Co., Ltd.
002567	refers to	Tangrenshen Group Co., Ltd.
600438	refers to	Tongwei Co., Ltd.
900919	refers to	Shanghai Dajiang (Group) Stock Co., Ltd.
the Transaction	refers to	The acquisition of majority interest in C.P. Pokphand Co., Ltd. from Orient Success International Limited, CPI Holding Company Limited and Worth Access Trading Limited by Charoen Pokphand Foods Public Company Limited and CPF Investment Limited
Independent financial advisor	refers to	Asia Plus Advisory Company Limited
the Company	refers to	Charoen Pokphand Foods Public Company Limited
Notification Regarding Acquisition or Disposal of Assets	refers to	Notification of Capital Market Supervisory Board No. TorChor. 20/2551Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of The Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 including any later amendments

Notification Regarding Connected Transaction	refers to	Notification of Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 including any later amendments
Sellers	refers to	Orient Success International Limited, CPI Holding Company Limited and Worth Access Trading Limited
Buyers	refers to	Charoen Pokphand Foods Public Company Limited and CPF Investment Limited
the Exchange	refers to	the Stock Exchange of Thailand
the SET	refers to	the Stock Exchange of Thailand
OSIL Option	refers to	A right of Orient Success International Limited to be issued and allotted 3,300,540,621 convertible preference shares
CPP Management Option	refers to	outstanding management share options to buy CPP ordinary share of 647,544,234 units granted by C.P. Pokphand Co., Ltd.
the SEC	refers to	The Securities and Exchange Commission
BFP	refers to	Bangkok Food Products Company Limited
BIGC	refers to	Big C Supercenter Public Company Limited
CFRESH	refers to	Seafresh Industry Public Company Limited
CP China	refers to	CP China Investment Limited
CP China Group	refers to	CP China Investment Limited and its subsidiaries
CPALL	refers to	CP All Public Company Limited
CPF	refers to	Charoen Pokphand Foods Public Company Limited
CPF Group	refers to	Charoen Pokphand Foods Public Company Limited and its subsidiaries
CPFI	refers to	CPF Investment Limited

CPG	refers to	Charoen Pokphand Group Co., Ltd.
CPI	refers to	C.P. Intertrade Co., Ltd.
CPIH	refers to	CPI Holding Company Limited
CPP	refers to	C.P. Pokphand Co., Ltd.
CPS	refers to	Convertible Preference Shares
CPV	refers to	C.P. Vietnam Corporation
CTC	refers to	Chlortetracycline
GFPT	refers to	GFPT Public Company Limited
HKSE	refers to	The Hong Kong Stock Exchange
MAKRO	refers to	Siam Makro Public Company Limited
MS	refers to	Modern State Investment Limited
OSIL	refers to	Orient Success International Limited
SFC	refers to	Securities and Futures Commission
STAR	refers to	Star Marketing Company Limited
TUF	refers to	Thai Union Frozen Products Public Company Limited
WAT	refers to	Worth Access Trading Limited

The English translation of this document is prepared solely for reference for non-Thai shareholders of the Company. It should neither be relied upon as the definitive nor the official document of the Company. The Thai version is the official document and shall prevail in all respects in the event of any inconsistency with the English translation.

(Translation)

28 November 2011

Subject Opinion of independent financial advisor regarding a connected transaction in relation to an acquisition of majority interest in C.P. Pokphand Company Limited

To Audit Committee and Independent Shareholders of Charoen Pokphand Foods Public Company Limited

As the resolution of the Board of Directors' meeting No. 10/2554, Charoen Pokphand Foods Public Company Limited ("the Company" or "CPF") appointed Asia Plus Advisory Company Limited as an independent financial advisor on 27 September 2011 to provide an opinion on the acquisition of the following securities issued by C.P. Pokphand Company Limited ("CPP") from Orient Success International Limited ("OSIL"), CPI Holding Company Limited ("CPIH"), and Worth Access Trading Limited ("WAT") (all of which shall be called "Sellers") by the Company and CPF Investment Limited ("CPFI"); a wholly-owned subsidiary of the Company (all of which shall be called "Buyers"):

Sellers and their securities to be sold	Buyers		Total (shares)
	CPF	CPFI	
1 OSIL			
a) 10,745,891,089 Ordinary Shares	2,639,853,337	8,106,037,752	10,745,891,089
b) 3,261,077,748 Convertible Preference Shares ^a ("CPS") Conversion Ratio – 1 CPS : 1 Ordinary Share, Exercise price – None	3,261,077,748	-	3,261,077,748
c) 3,300,540,621 CPS ^{a,b} Conversion Ratio – 1 CPS : 1 Ordinary Share, Exercise price – None	-	3,300,540,621	3,300,540,621
2 WAT			
a) 481,250,000 Ordinary Shares	-	481,250,000	481,250,000
3 CPIH			
a) 1,004,014,695 Ordinary Shares	-	1,004,014,695	1,004,014,695
Total	5,900,931,085	12,891,843,068	18,792,774,153

Remark: ^a Key features of the CPS are as follows:

- Right to convert into ordinary shares at any time without payment of any consideration at the ratio of 1 CPS to 1 ordinary share, subject to adjustment upon which an announcement will be made by CPP. Adjustment will be made upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves as a payment of ordinary shares, capital distributions, rights issues of ordinary shares or options over ordinary shares at a price which is below 90% of the market price, and issues of convertible securities with consideration at less than the conversion price)
- No right for a holder to attend and vote in any general meeting of shareholders, except in certain circumstances e.g. in the case a resolution is proposed for a winding-up or a resolution which will affect the right of CPSs, etc.
- Has seniority over other classes of share in case of liquidation.

^b A right of OSIL to be issued and allotted 3,300,540,621 CPSs ("OSIL Option") which will be exercised into 3,300,540,621 CPSs for the sale to the Company, regarding the sale of 3,300,540,621 CPSs between OSIL and CPFI as specified in Share Purchase and Sale Agreement ("SPA")

The acquisition of the aforementioned securities (“the Transaction”) will result in Buyers having a majority interest in CPP. Buyers will own 12,231,155,784 ordinary shares, which is 72.0% of CPP’s current total paid-up ordinary shares. Upon all the convertible securities are converted (CPS, CPS from full exercise of OSIL Option, and outstanding management share options¹ granted by CPP (“CPP Management Option”)), Buyers will own 18,792,774,153 ordinary shares, which is 74.2% interest in CPP. According to Hong Kong laws, to enter into the Transaction, Buyers will be required to make a mandatory general offer to all CPP’s securities; however, as at the issued date of this report, Buyers have obtained a waiver from the requirement to make a mandatory general offer for all securities of the business (“the Waiver”) from Hong Kong Securities and Futures Commission (“SFC”). The consideration for these securities will be satisfied by the offering of Company’s shares and cash payment.

According to the Notification of Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of The Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 including any later amendments (all of which shall be called “Notification Regarding Acquisition or Disposal of Assets”), the Transaction is deemed as an acquisition.

The Transaction size will be approximately 47.4% of the Company total assets as stated in the 30 September 2011 consolidated financial statement. The size of the Transaction will be larger than 15% but smaller than 50% of total assets; thus, the Transaction is deemed an Acquisition of Listed Company Type 2, which requires the Company to report and disclose information memorandum to the Stock Exchange of Thailand (“the SET” or “the Exchange”), and send notification letter to the Company’s shareholders within 21 days from the date that the Transaction is disclosed to the Exchange. In addition, the notification letter to the shareholders must at least include the information as specified in the said notification.

As at 1 August 2011,

- (1) Charoen Pokphand Group Co., Ltd. (“CPG”) indirectly holds 100% shares in OSIL and WAT, and together with related parties hold 45.0% shares in CPF (including a party with controlling interest). In addition, directors of CPG (namely are Mr. Dhanin Chearavanont, Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul, and Mr. Phongthep Chiaravanont) are directors of CPF.
- (2) CPIH is a wholly owned subsidiary of C.P. Intertrade Co., Ltd. (“CPI”) of which Mr. Dhanin Chearavanont is a major shareholder. In addition, directors of CPI (namely are Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul, and Mr. Phongthep Chiaravanont) are directors of CPF.

¹ The outstanding of CPP Management Option is 647,544,234 shares

Therefore, according to the Notification of Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of The Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 including any later amendments (all of which shall be called “Notification Regarding Connected Transaction”), the Transaction (the acquisition of CPP’s securities from Sellers) is deemed a connected transaction. The size of the Transaction will be approximately 110.7% of the Company net tangible assets which is larger than 3% of the Company net tangible assets as stated in 30 September 2011 consolidated financial statement. Hence, the Company is required to report and disclose information memorandum to the Exchange and seek shareholders’ approval regarding the entering into the connected transaction. The approval must not be less than three-fourth of the votes of all shareholders who are present at the meeting and have the rights to vote. Also, shareholders who have a conflict of interest in relation to the Transaction must abstain from voting.

The Company appointed Asia Plus Advisory Company Limited (“independent financial advisor”), a financial advisory company which is endorsed by the Securities and Exchange Commission (“the SEC”), and is independent of the parties to the Transaction as an independent financial advisor to provide opinion on the entering into the Transaction to shareholders for consideration in approving the Transaction.

In providing our opinion, we relied on the details of entering into the Transaction from the Company since 19 October 2011, public information, documents received from the Company, information gathered from interviewing with the Company management team, and information from research and government published statistics. However, due to the fact that CPP is listed on The Hong Kong Stock Exchange (“HKSE”) and that CP All Public Company Limited (“CPALL”) is a listed company on the SET, we used publicly available information only. As a result, we have to base our opinion on public information of CPP and CPALL only. Thus, our opinion relied on the assumption that all public information, all documents received from the company, including information gathered from interviewing with the Company management team, and other related information are inclusive and accurate. With our best effort, we comprehensively reviewed the information in accordance with professional standard. Also, we considered the industry development and the surrounding circumstance while we were conducting our research, and primarily considered the benefits of independent shareholders. If an event occurred and resulted in a material change regarding information and circumstance from the present such as a significant change of corporate income tax rate or incomprehensiveness and inaccuracy of the relied information, the event could have a significant effect on our opinion.

Our opinion in relation to the entering into the Transaction is as follow:

1. Executive Summary

CPF and CPFI have an intention to acquire the following securities issued by CPP from Sellers:

Sellers and their securities to be sold	Buyers		Total (shares)
	CPF	CPFI	
1 OSIL			
a) 10,745,891,089 Ordinary Shares	2,639,853,337	8,106,037,752	10,745,891,089
b) 3,261,077,748 CPSs ^a Conversion Ratio – 1CPS : 1 Ordinary Share, Exercise price – None	3,261,077,748	-	3,261,077,748
c) 3,300,540,621 CPSs ^{a,b} Conversion Ratio – 1 CPS : 1 Ordinary Share, Exercise price – None	-	3,300,540,621	3,300,540,621
2 WAT			
a) 481,250,000 Ordinary Shares	-	481,250,000	481,250,000
3 CPIH			
a) 1,004,014,695 Ordinary Shares	-	1,004,014,695	1,004,014,695
Total	5,900,931,085	12,891,843,068	18,792,774,153

Remark: ^a Key features of the CPS are as follows:

- Right to convert into ordinary shares at any time without payment of any consideration at the ratio of 1 CPS to 1 ordinary share, subject to adjustment upon which an announcement will be made by CPP. Adjustment will be made upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves as a payment of ordinary shares, capital distributions, rights issues of ordinary shares or options over ordinary shares at a price which is below 90% of the market price, and issues of convertible securities with consideration at less than the conversion price)
- Right to dividend pari passu with ordinary shares
- No right for a holder to attend and vote in any general meeting of shareholders, except in certain circumstances e.g. in the case a resolution is proposed for a winding-up or a resolution which will affect the right of CPSs, etc.
- Has seniority over other classes of share in case of liquidation.

^b A right of OSIL to be issued and allotted 3,300,540,621 CPSs (“OSIL Option”) which will be exercised into 3,300,540,621 CPSs for the sale to the Company, regarding the sale of 3,300,540,621 CPSs between OSIL and CPFI as specified in SPA

The acquisition of the aforementioned securities will result in Buyers having a majority interest in CPP. Buyers will own 12,231,155,784 ordinary shares, which is 72.0% of CPP’s current total paid-up ordinary shares. Upon all the convertible securities are converted (CPS, CPS from full exercise of OSIL Option, and CPP Management Option), Buyers will own 18,792,774,153 ordinary shares, which is 74.2% interest in CPP. According to Hong Kong laws, to enter into the Transaction, Buyers will be required to make a mandatory general offer to all CPP’s securities; and as at the issued date of this report, Buyers have obtained a waiver from the requirement to make a mandatory general offer for all securities listed on HKSE from SFC.

The Transaction is deemed as an acquisition according to the Notification Regarding Acquisition or Disposal of Assets. The Transaction size will be approximately 47.4% of the Company total assets as stated in

the 30 September 2011 consolidated financial statement. The size of the Transaction will be larger than 15% but smaller than 50% of total assets; thus, the Transaction is deemed an Acquisition of Listed Company Type 2, which requires the Company to report and disclose information memorandum to the SET, and send notification letter to the Company's shareholders within 21 days from the date that the possible Transaction is disclosed to the Exchange. In addition, the notification letter to the shareholders must at least include the information as specified in the said notification.

As at 1 August 2011,

- (1) CPG indirectly holds 100% shares in OSIL and WAT ,and together with related parties hold 45.0% shares in CPF (including a party with controlling interest). In addition, directors of CPG (namely are Mr. Dhanin Chearavanont, Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul, and Mr. Phongthep Chiaravanont) are directors of CPF.
- (2) CPIH is a wholly owned subsidiary of CPI of which Mr. Dhanin Chearavanont is a major shareholder. In addition, directors of CPI (namely are Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul, and Mr. Phongthep Chiaravanont) are directors of CPF.

Therefore, according to the Notification Regarding Connected Transaction, the Transaction (the acquisition of CPP's securities from Sellers) is deemed a connected transaction. The size of the Transaction will be approximately 110.7% of the Company net tangible assets which is larger than 3% of the Company net tangible assets as stated in 30 September 2011 consolidated financial statement. Therefore, the Company is required to report and disclose information memorandum to the Exchange and seek shareholders' approval regarding the entering into the connected transaction. The approval must not be less than three-fourth of the votes of all shareholders who are present at the meeting and have the rights to vote. Also, shareholders who have a conflict of interest in relation to the Transaction must abstain from voting.

However, regarding conditions precedent as specified in SPA, the Company must obtain the following approvals before executing the Transaction, which include, among others:

- shareholders' approval on the entering into the Transaction and other relevant matters;
- any approval and/or consent required by CPP and its subsidiaries and/or the Sellers for the sale of CPP shares to the Buyers, for examples
- no material adverse change in the business, assets, liabilities, prospects or results of operation of CPP and its subsidiaries.

If the aforementioned conditions precedent are not satisfied or waived on or before 30 June 2012 (long-stop date), or such late date as Buyers and Sellers may agree, the SPA and the rights and obligation hereunder shall cease and terminate.

Details of asset to be acquired and payment of Buyers after entering into the transaction;

Transaction Value	Buyers		Total
	CPF	CPFI	
No. of holding shares in CPP after conversion of all of convertible preference shares	5,900,931,085 shares	12,891,843,068 shares	18,792,774,153 shares
% Share holding of in CPP	23.3%	50.9%	74.2%
Acquisition price of CPP per share	HKD 0.9 (USD 0.1, or THB 3.5)	HKD 0.9 (USD 0.1, or THB 3.5)	HKD 0.9 (USD 0.1, or THB 3.5)
Total transaction value *The Transaction will be settled in USD*	USD 682,626,989 or equivalent to THB 20,820,123,180	USD 1,491,344,314 or approximately THB 45,486,001,571	USD 2,173,971,303 or approximately THB 66,306,124,750

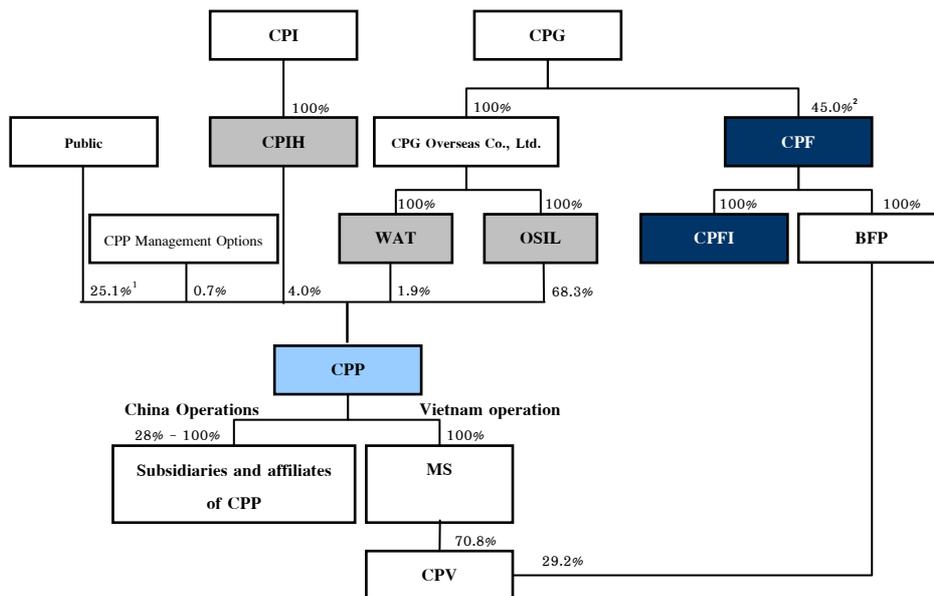
The payments of Buyers	Newly issued share paid (31.4%)	Cash paid (68.6%)	Total payment
1 CPF			
1) OSIL	USD 682,626,989 694,004,106 newly issued CPF shares (par value - THB 1) at the issuance price of THB 30 each	-	USD 682,626,989
Total payments of CPF	USD 682,626,989 694,004,106 newly issued CPF shares (par value - THB 1) at the issuance price of THB 30 each or equivalent to THB 20,820,123,180	-	USD 682,626,989 or approximately THB 20,820,123,180
2 CPFI			
1) OSIL	-	USD 1,319,527,061	USD 1,319,527,061
2) CPIH	-	USD 116,145,659	USD 116,145,659
3) WAT	-	USD 55,671,594	USD 55,671,594
Total payments of CPFI	-	USD 1,491,344,314 or approximately THB 45,486,001,571	USD 1,491,344,314 or approximately THB 45,486,001,571

The payments of Buyers	Newly issued share paid (31.4%)	Cash paid (68.6%)	Total payment
Total payments of the Buyers	USD 682,626,989 694,004,106 newly issued CPF shares (par value - THB 1) at the issuance price of THB 30 each or equivalent to THB 20,820,123, 180	USD 1,491,344,314 or approximately THB 45,486,001,571	USD 2,173,971,303 or approximately THB 66,306,124,751

Remark: The agreed foreign exchange rates among Buyers and Sellers are based on foreign exchange rates of THB/USD and HKD/USD are THB 30.5/USD and HKD 7.78/USD, respectively; based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the Bank of Thailand (“BOT”) and www.exchange-rates.org, respectively. Implied foreign exchange rate of THB/HKD is THB 3.92/HKD based on the aforementioned exchange rate of THB/USD and HKD/USD.

Shareholding structure of CPF and CPP – pre and post Transaction

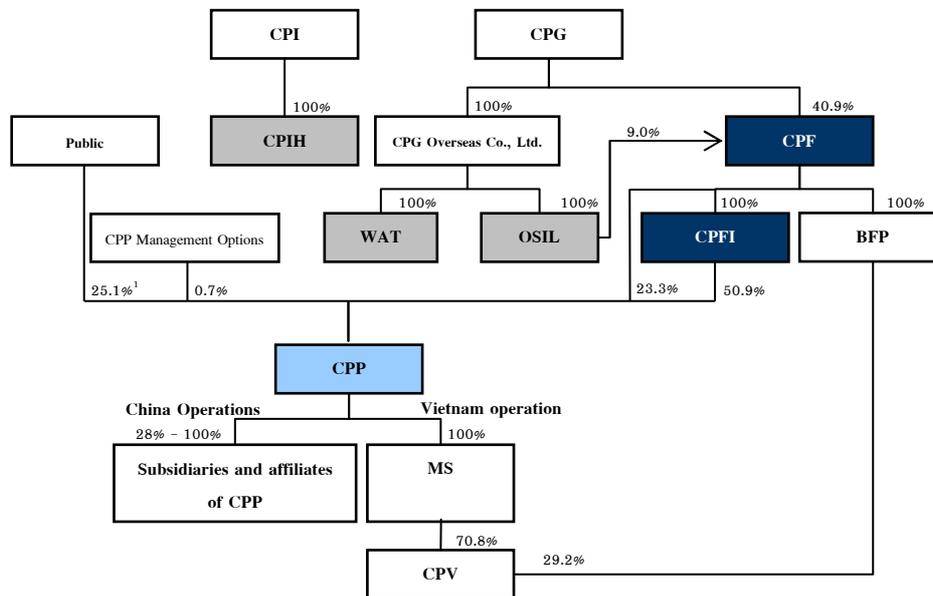
Pre Transaction



¹ Included certain CPP Management Options in relation to 1.8% held by individuals who are not directors of CPP

² As of 25 August 2011 (excluded treasury stocks)

Post Transaction



¹ Included certain CPP Management Options in relation to 1.8% held by individuals who are not directors of CPP

CPP is an investment holding company and was established in 1987, and is listed on the Hong Kong Stock Exchange under the stock code 00043.HK. CPP has operations in both China and Vietnam. There are two main businesses in China: the production, distribution, and marketing of feed and other businesses comprise of Chlortetracycline (“CTC”) (70% interest) and Automotive and Industrial (28% – 50% interest). For business in Vietnam, CPP invests through its subsidiary, C.P. Vietnam Corporation (“CPV”), with indirect holding of 70.8%. CPV is a fully integrated livestock and aquaculture company with business spans across the production of feed, the farming of livestock and aquatic animals, and aquatic food products.

CPP is a leading feed producer in China under “Chia Tai” brand name; products include feed for swine, broiler, layer, duck, cattle, shrimp, and fish. CPP currently has 78 facilities with total capacity of 9.4 million tonnes per year covering 28 provinces and municipalities and its feed products are sold through approximately 24,000 independent third party exclusive distributors. In addition to various types of nutritious feed, CPP produces CTC, a type of broad-spectrum antibiotic that is effective against various types of bacteria in poultry, swine, sheep and cattle. CPP also engages in the production of motorcycles under “Dayang” brand name which are sold through more than 5,000 dealers. Besides motorcycles, it produces Carburetor, General-Purpose Gasoline Engine, and Automobile Air-Conditioning System. CPP is also the sole sales agent for Caterpillar products in the western part of China.

CPV is a fully integrated livestock and aquaculture company with business spans across the production of feed, the farming and food products. CPV is the leader in terms of animal feed in Vietnam; its products include feed for swine, broiler, layer, duck, cattle, shrimp, and fish. CPV currently has 4 livestock feed

facilities with total capacity of 2.3 million tonnes per year and 3 aquatic feed facilities with total capacity of 0.6 million tonnes per year. Its feed products are sold through dealers, whereas, CPV currently has approximately 1,300 dealers. CPV's farming business includes both livestock and aquaculture farms. It is the market leader in swine and broiler production as well as layer production. For food business, as of 31 December 2010, CPV has a food processing plant with two main production lines: a meat processing line with a capacity of 12,000 tonnes per year and a cold storage for aqua products with a capacity of 3,000 tonnes per year.

Entering into the Transaction will enhance the opportunities for The Company and its subsidiaries (all of which shall be called "CPF Group") to get into a full stream of agriculture business in China and Vietnam. CPF Group estimates that after the Transaction is completed, CPF Group will be:

- the largest listed livestock and aquaculture company in Asia-Pacific (by both market capitalization and by revenue);
- a leading producer of animal feed in the world (by volume);
- a leading fully integrated agricultural and aquaculture company with strong focus in emerging markets in Asia, with presence in 12 countries.

The Transaction would give an opportunity for CPF Group to get into a high potential market without starting from green field and have an exposure in China and Vietnam, an opportunity to diversify its revenue, an increase in consolidated revenue and net profit, and an opportunity to leverage on each other strengths in order to enhance efficiency. CPP's strengths are production and distribution network covering major provinces in China and Vietnam and ability to penetrate into high potential markets. On the other hand, CPF Group is strong in sourcing raw material, technology, and research and development. Thus, the combined efficiency can be improved by having expertise and experienced human resources of these two companies.

Since CPP engages in businesses both in China and in Vietnam, in assessing the value of CPP, we separately assessed the value of CPP business in China and CPP business in Vietnam. The value of business in Vietnam, only a portion is held by CPP (70.8%), is later combined with the value of business in China to arrive at the total value of CPP. And for comparability, the value of CPV per share is calculated based on CPP's number of shares.

Conclusion of CPP Value Assessment

(Unit: THB)

Valuation Approach	CPP Value per Share (Excluding CPV Value)	CPV Value per CPP Share	CPP Value per Share (Including CPV Value)
1. BV	0.6	0.3	0.9
2. ABV	0.6	0.3	0.9
3. Market Price	3.1 – 3.6	N/A	3.1 – 3.6

(Unit: THB)

Valuation Approach	CPP Value per Share (Excluding CPV Value)	CPV Value per CPP Share	CPP Value per Share (Including CPV Value)
4. Market Comparable			
4.1 P/BV	2.7 – 2.8	1.1	3.8 – 3.9
4.2 P/E	6.6 – 6.7	3.6 – 3.7	10.2 – 10.4
4.3 EV/EBITDA	8.6 – 9.2	5.4 – 5.7	14.0 – 14.9
5. DCF			
5.1 Base case scenario	2.8	1.1	3.9
5.2 Sensitivity analysis	2.4 – 3.3	0.9 – 1.3	3.3 – 4.6

We opine that the appropriate approaches in assessing CPP value are Market Price and DCF Approaches. Therefore, the fair value of CPP is in the range of THB 3.1–4.6 per share.

(Unit: THB)

Valuation Approach	CPP Value per Share (Include CPV)	Transacted Price	Assessed Value Is Higher (Lower) than the Transacted Price By	
			THB	%
1. BV	0.9	3.5	(2.6)	(74.3)
2. ABV	0.9	3.5	(2.6)	(74.3)
3. Market Price	3.1 – 3.6	3.5	(0.4) – 0.1	(11.4) – 2.9
4. Market Comparable				
4.1 P/BV	3.8 – 3.9	3.5	0.3 – 0.4	8.6 – 11.4
4.2 P/E	10.2 – 10.4	3.5	6.7 – 6.9	191.4 – 197.1
4.3 EV/EBITDA	14.0 – 14.9	3.5	10.5 – 11.4	300.0 – 325.7
5. DCF				
5.1 Base case scenario	3.9	3.5	0.4	11.4
5.2 Sensitivity analysis	3.3 – 4.6	3.5	(0.2) – 1.1	(5.7) – 31.4

We opine that the fair value of CPP share is in the range of THB 3.1–4.6 per share which is higher (lower) than the transacted price of THB 3.5 per share by THB (0.4) – 1.1 per share, representing (11.4%) – 31.4% of the transacted price. Hence, the transacted CPP price is reasonable.

Since CPF approximately holds 30% interest in CPALL and 29.2% in CPV; therefore, CPALL and CPV values in proportionate to shareholding held by CPF shall be included in the assessment of CPF corporate value. And for comparability, the values of CPALL and CPV per share are calculated based on CPF's number of shares.

Conclusion of CPF Value Assessment

(Unit: THB)

Valuation Approach	CPF Value per Share (Excluding CPALL and CPV Values)	CPALL Value per CPF Share	CPV Value per CPF Share	CPF Value per Share (Including CPALL and CPV Values)
1. BV	8.6	N/A	N/A	8.6
2. ABV	8.6	N/A	N/A	8.6
3. Market Price	27.4 – 30.1	N/A	N/A	27.4 – 30.1
4. Market Comparable				
4.1 P/BV	13.1 – 14.1	3.4 – 4.5	1.2	17.7-19.8
4.2 P/E	25.9 – 27.6	8.0 – 9.7	2.9 – 3.0	36.8 – 40.3
4.3 EV/EBITDA	34.2 – 38.0	9.0 – 11.7	12.3 – 13.2	55.5 – 62.9
5. DCF				
5.1 Base case scenario	25.5	10.1	1.6	37.2
5.2 Sensitivity analysis	20.7 – 32.0	9.0 – 11.3	1.3 – 1.9	31.0 – 45.2

We opine that the appropriate approaches in assessing CPF value are Market Price and DCF Approaches. Therefore, the fair value of CPF is in the range of THB 27.4– 45.2 per share.

(Unit: THB)

Valuation Approach	CPF Value per Share (Include CPALL and CPV)	Transacted Price	Assessed Value Is Higher (Lower) than the Transacted Price By	
			THB	%
1. BV	8.6	30.0	(21.4)	(71.3)
2. ABV	8.6	30.0	(21.4)	(71.3)
3. Market Price	27.4 – 30.1	30.0	(2.6)- 0.1	(8.7)- 0.3
4. Market Comparable				
4.1 P/BV	17.7-19.8	30.0	(12.3)- (10.2)	(41.0)- (34.0)
4.2 P/E	36.8 – 40.3	30.0	6.8 – 10.3	22.7 – 34.3
4.3 EV/EBITDA	55.5 – 62.9	30.0	25.5 – 32.9	85.0 – 109.7
5. DCF				
5.1 Base case scenario	37.2	30.0	7.2	24.0
5.2 Sensitivity analysis	31.0 – 45.2	30.0	1.0 – 15.2	(3.3) – 50.7

We opine that the fair value of CPF share is in the range of THB 27.4-45.2 per share which is higher (lower) than the transacted price of THB30 per share by THB (2.6)-15.2 per share, representing (8.7%)-50.7% of the transacted price. Hence, transacted CPF price is reasonable.

After entering into this transaction, CPF Group will become the largest listed integrated livestock and aquaculture company in Asia Pacific Region. The benefits of the transaction include increased efficiency caused by centralized management, enlarged customer base resulting from aggressive move into huge growth potential markets, more bargaining power in raw material procurement, better cost management by reducing redundant items, better financial cost management, international trade information exchange and better utilization of human resources.

The issuance of new shares as partial consideration for acquiring CPP shares will cause control and EPS dilution of 9.0% (in case that CPP's financial performance and numbers of the Company's treasury stock are excluded from the calculation). Furthermore, financial cost relevant to the borrowings used to partly finance the transaction will lessen CPF Group's net profit. However, after the Transaction has been completed, CPF Group's revenues and profit are expected to increase as CPP's financial performance will be consolidated into CPF Group's financials. Hence, EPS should be increased accordingly.

CPF's transacted price of THB30 is deemed appropriate as its assessed value is in the range of THB 27.4-45.2 per share which is higher (lower) than the transacted price by THB (2.6)-15.2 per share, representing (8.7%)-50.7% of the transacted price. CPP's transacted price of THB 3.5 is also deemed appropriate as its assessed value is in the range of THB 3.1-4.6 per share which is higher (lower) than the transacted price by THB (0.4) - 1.1 per share, representing (11.4%) - 31.4% of the transacted price.

We have an opinion that the entering into this transaction will significantly strengthen CPF Group's competitive advantages in the global market and the relevant conditions of Transaction are reasonable and beneficial to CPF Group and the shareholders and will not deprive CPF Group of any benefits thereof; therefore, the entering into this Transaction is reasonable and beneficial to CPF Group and its shareholders in the future.

Based on the above rationale, we have an opinion that the shareholders should vote in favor of the entering into the transaction; however, the decision making of approving or not approving this transaction is to be made at the shareholders' own discretion.

2. Characteristics and Details of the Transaction

CPF and CPFI have an intention to acquire the following securities issued by CPP from Sellers;

Sellers and their securities to be sold	Buyers		Total (shares)
	CPF	CPFI	
1 OSIL			
1) 10,745,891,089 Ordinary Shares	2,639,853,337	8,106,037,752	10,745,891,089
2) 3,261,077,748 CPSs ¹ Conversion Ratio – 1CPS : 1 Ordinary Share, Exercise price – None	3,261,077,748	–	3,261,077,748
3) 3,300,540,621 CPSs ^{1,2} Conversion Ratio – 1CPS : 1 Ordinary Share, Exercise price – None	–	3,300,540,621	3,300,540,621
2 WAT			
1) 481,250,000 Ordinary Shares	–	481,250,000	481,250,000
3 CPIH			
1) 1,004,014,695 Ordinary Shares	–	1,004,014,695	1,004,014,695
Total	5,900,931,085	12,891,843,068	18,792,774,153

Remark: ¹ Key features of the CPS are as follows:

- Right to convert into ordinary shares at any time without payment of any consideration at the ratio of 1 CPS to 1 ordinary share, subject to adjustment upon which an announcement will be made by CPP. Adjustment will be made upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves as a payment of ordinary shares, capital distributions, rights issues of ordinary shares or options over ordinary shares at a price which is below 90% of the market price, and issues of convertible securities with consideration at less than the conversion price)
- Right to dividend pari passu with ordinary shares
- No right for a holder to attend and vote in any general meeting of shareholders, except in certain circumstances e.g. in the case a resolution is proposed for a winding-up or a resolution which will affect the right of CPSs, etc.
- Has seniority over other classes of share in case of liquidation.

² A right of OSIL to be issued and allotted 3,300,540,621 CPSs (“OSIL Option”) which will be exercised into 3,300,540,621 CPSs for the sale to the Company, regarding the sale of 3,300,540,621 CPSs between OSIL and CPFI as specified in SPA

After entering into the Transaction, Buyers will own 12,231,155,784 ordinary shares, which is 72.0% of CPP’s current total paid-up ordinary shares. Upon all the convertible securities are converted (CPS, CPS from full exercise of OSIL Option, and CPP Management Option), Buyers will own 18,792,774,153 ordinary shares, which is 74.2% interest in CPP. Therefore, Buyers will be required to make a mandatory general offer to all CPP’s securities. As of the date of this report, Buyers have obtained an approval to waive a mandatory general offer from the SFC.

2.1 Type and size of the transaction

The Transaction is deemed as an acquisition according to the Notification Regarding Acquisition or Disposal of Assets. The Transaction size will be approximately 47.4% of the Company total assets as stated in the 30 September 2011 consolidated financial statement. The size of the Transaction will be larger than 15% but smaller than 50% of total assets; thus, the Transaction is deemed an Acquisition of Listed Company Type 2, which requires the Company to report and disclose information memorandum to the SET, and send notification letter to the Company's shareholders within 21 days from the date that the possible Transaction is disclosed to the Exchange. In addition, the notification letter to the shareholders must at least include the information as specified in the said notification.

Financial highlight	The Company	CPP		MS		Unaudited combined CPP (CPP+MS)	
	(MB)	(USD Mil.)	(MB)	(USD Mil.)	(MB)	(USD Mil.)	(MB)
Total assets	140,137	1,153	35,154	758	23,127	1,911	58,282
Minus Total liabilities	(76,548)	(559)	(17,062)	(469)	(14,315)	(1,029)	(31,377)
Minus Intangible assets	(878)	0	0	(2)	(55)	(2)	(55)
Minus Minority interests	(2,834)	(56)	(1,720)	(82)	(2,494)	(138)	(4,215)
Net tangible assets (NTA)	59,877	537	16,372	205	6,262	742	22,635
Last 12-month Net profit	15,486	146	4,447	94	2,881	240	7,328

Remarks

- 1) Based on the consolidated financial statements of the Company ended 30 September 2011 (reviewed) and the consolidated financial statements of CPP and Modern State Investment Limited ("MS" or "Moedern State") ended 30 June 2011
- 2) Foreign exchange rate at THB 30.5/USD based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the BOT.
- 3) CPP wholly owns MS which solely holds CPV at 70.8% shareholding

Criteria	Transaction size
1. NTA	8.8%
2. Net profit	11.0%
3. Total considerations	47.4%
4. Security value	9.8%
Maximum value	47.4%

Remark: Calculated by combining MS to CPP since financial statements of CPP ended 30 June 2011 did not reflect operating performance and financial status of MS.

As at 1 August 2011,

- (1) CPG indirectly holds 100% shares in OSIL and WAT, and together with related parties hold 45.0% shares in CPF (including a party with controlling interest). In addition, directors of CPG (namely are Mr. Dhanin Chearavanont, Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul, and Mr. Phongthep Chiaravanont) are directors of CPF.
- (2) CPIH is a wholly owned subsidiary of CPI of which Mr. Dhanin Chearavanont is a major shareholder. In addition, directors of CPI (namely are Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Chingchai Lohawatanakul, and Mr. Phongthep Chiaravanont) are directors of CPF.

Therefore, according to the Notification Regarding Connected Transaction, the Transaction (the acquisition of CPP's securities from Sellers) is deemed a connected transaction. The size of the Transaction

will be approximately 110.7% of the Company net tangible assets which is larger than 3% of the Company net tangible assets as stated in 30 September 2011 consolidated financial statement. Therefore, the Company is required to report and disclose information memorandum to the Exchange and seek shareholders' approval regarding the entering into the connected transaction. The approval must not be less than three-fourth of the votes of all shareholders who are present at the meeting and have the rights to vote. Also, shareholders who have a conflict of interest in relation to the Transaction must abstain from voting.

Acquisition value	MB
Total considerations CPF paid	66,306
1H11 NTA of acquired interest (CPP)	5,272
Market value of acquired interest (CPP)	19,432
Maximum transaction value	66,306
NTA of CPF	59,877
Size of connected transaction	110.7%

Remarks

- 1) Based on the consolidated financial statements of the Company ended 30 September 2011 (reviewed)
- 2) The agreed foreign exchange rates among Buyers and Sellers are based on foreign oreign exchange rates of THB/USD and HKD/USD are THB 30.5/USD and HKD 7.78/USD, respectively; based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the BOT and www.exchange-rates.org, respectively. Implied foreign exchange rate of THB/HKD is THB 3.92/HKD based on the aforementioned exchange rate of THB/USD and HKD/USD.

However, regarding conditions precedent as specified in SPA, the Company must obtain the following approvals before executing the Transaction, which include, among others:

- shareholders' approval on the entering into the Transaction and other relevant matters;
- any approval and/or consent required by CPP and its subsidiaries and/or the Sellers for the sale of CPP shares to the Buyers, for examples
- no material adverse change in the business, assets, liabilities, prospects or results of operation of CPP and its subsidiaries.

If the aforementioned conditions precedent are not satisfied or waived on or before 30 June 2012 (long-stop date), or such late date as Buyers and Sellers may agree, the SPA and the rights and obligation hereunder shall cease and terminate.

2.2 Assets to be acquired and payment

Details of asset to be acquired and payment of Buyers after entering into the transaction;

Transaction Value	Buyers		Total
	CPF	CPFI	
No. of holding shares in CPP after conversion of all of convertible preference shares	5,900,931,085 shares	12,891,843,068 shares	18,792,774,153 shares
% Share holding of in CPP	23.3%	50.9%	74.2%
Acquisition price of CPP per share	HKD 0.9 (USD 0.1, or THB 3.5)	HKD 0.9 (USD 0.1, or THB 3.5)	HKD 0.9 (USD 0.1, or THB 3.5)
Total transaction value *The Transaction will be settled in USD*	USD 682,626,989 or equivalent to THB 20,820,123,180	USD 1,491,344,314 or approximately THB 45,486,001,571	USD 2,173,971,303 or approximately THB 66,306,124,750

The payments of Buyers	Newly issued share paid (31.4%)	Cash paid (68.6%)	Total payment
1 CPF			
1) OSIL	USD 682,626,989 694,004,106 newly issued CPF shares (par value - THB 1) at the issuance price of THB 30 each	-	USD 682,626,989
Total payments of CPF	USD 682,626,989 694,004,106 newly issued CPF shares (par value - THB 1) at the issuance price of THB 30 each or equivalent to THB 20,820,123,180	-	USD 682,626,989 or approximately THB 20,820,123,180
2 CPFI			
1) OSIL	-	USD 1,319,527,061	USD 1,319,527,061
2) CPIH	-	USD 116,145,659	USD 116,145,659
3) WAT	-	USD 55,671,594	USD 55,671,594
Total payments of CPFI	-	USD 1,491,344,314 or approximately THB 45,486,001,571	USD 1,491,344,314 or approximately THB 45,486,001,571



Total payments of the Buyers	USD 682,626,989 694,004,106 newly issued CPF shares (par value – THB 1) at the issuance price of THB 30 each or equivalent to THB 20,820,123, 180	USD 1,491,344,314 or approximately THB 45,486,001,571	USD 2,173,971,303 or approximately THB 66,306,124,751
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Remarks: The agreed foreign exchange rates among Buyers and Sellers are based on foreign exchange rates of THB/USD and HKD/USD are THB 30.5/USD and HKD 7.78/USD, respectively; based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the BOT and www.exchange-rates.org, respectively. Implied foreign exchange rate of THB/HKD is THB 3.92/HKD based on the aforementioned exchange rate of THB/USD and HKD/USD.

The Company will issue 694,004,106 newly shares to OSIL after the expiration of its treasury stock in February 2012 and CPFI will pay cash to Sellers.

Price determination criteria

- 180-day weighted average trading prices before 27 September 2011
 CPF – THB 29.47 per share, and
 CPP – HKD 0.88 per share
- The value of CPP shares is derived from the value of China Operations (CPP) and Vietnam Operation (CPV) with reference to recent market price of its shares. In addition, the Company also considered historical price-to-book ratio, historical price-to-earning ratio and historical EV/EBITDA ratio of CPP.

Shareholding structure – before and after entering into this transaction;



(Unit: Shares)	Number of Shares			% Shareholding	
	Pre ¹	Transaction	Post	Pre ¹	Post
CPG Group					
OSIL	-	694,004,106	694,004,106	0.0%	9.0%
Charoen Pokphand Group	1,886,365,835	-	1,886,365,835	26.8%	24.4%
Charoen Pokphand Holding	889,525,460	-	889,525,460	12.6%	11.5%
Bangkok Agro-Industrial Products	145,684,000	-	145,684,000	2.1%	1.9%
Bangkok Produce Merchandising	82,885,000	-	82,885,000	1.2%	1.1%
Bangkok Food Products	69,110,720	-	69,110,720	1.0%	0.9%
Charoen Pokphand Industry	31,140,880	-	31,140,880	0.4%	0.4%
Plenty Type Limited	64,000,000	-	64,000,000	0.9%	0.8%
Star Marketing Company Limited (STAR) ²	1,200,000	-	1,200,000	0.0%	0.0%
CPIH	-	-	-	0.0%	0.0%
WAT	-	-	-	0.0%	0.0%
Total - CPG Group	3,169,911,895	694,004,106	3,863,916,001	45.0%	49.9%
UBS AG London Branch	288,490,080	-	288,490,080	4.1%	3.7%
HSBC (Singapore) Nominees Pte Ltd.	137,395,356	-	137,395,356	1.9%	1.8%
Ms. Walaiporn Jiraphumin	128,100,000	-	128,100,000	1.8%	1.7%
State Street Bank and Trust Company	109,275,580	-	109,275,580	1.6%	1.4%
Mr. Prin Tieanworn	95,400,000	-	95,400,000	1.4%	1.2%
Social Security Office	90,827,900	-	90,827,900	1.3%	1.2%
Raffles Nominees (Pte) Limited	73,011,461	-	73,011,461	1.0%	0.9%
Total	4,092,412,272	694,004,106	4,786,416,378	58.1%	61.8%

Remarks:

1) As of 25 August 2011 (Excluded Treasury stocks)

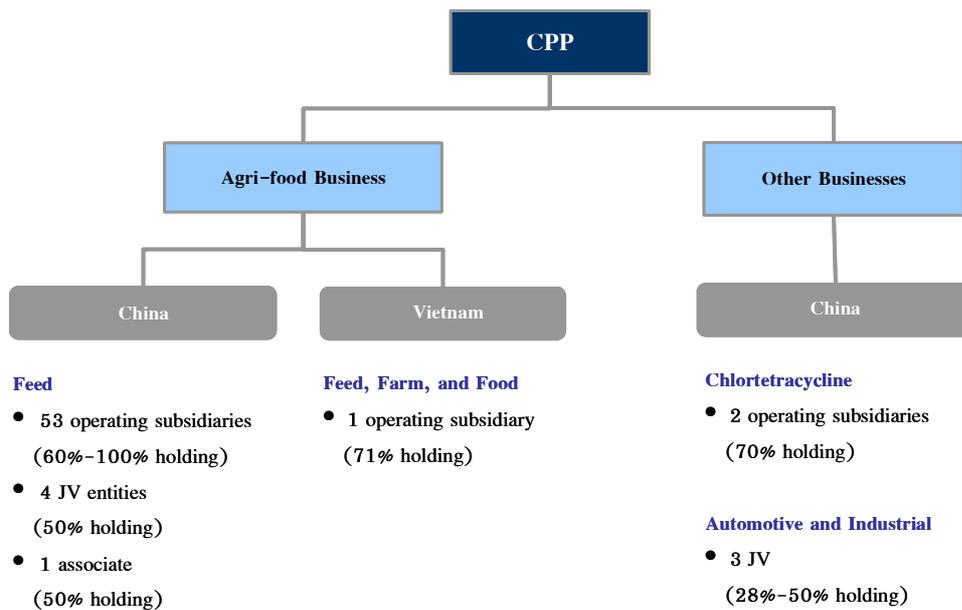
2) In September, STAR, wholly-owned subsidiary of CPG, acquired 1,200,000 CPF shares.

After entering into the Transaction, CPG group and their related parties will hold 49.9% of paid-up shares in CPF which does not reach the trigger point to make a tender offer regarding the notification of the Capital Market Supervisory Board No. TorJor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers.

2.3 Details of assets to be acquired

2.3.1 Business

CPP is an investment holding company and was established in 1987, and is listed on the Stock Exchange of Hong Kong Limited under the stock code 00043.HK. CPP has operations in both China and Vietnam and its business structure can be described below:



China

There are two main businesses in China:

a) Feed Business

CPP is a leading feed producer in China under “Chia Tai” brand name, products include feed for swine, broiler, layer, duck, cattle, shrimp, and fish. As of 31 December 2010, CPP has 78 facilities covering 28 provinces and municipalities and its feed products are sold through approximately 24,000 independent third party exclusive distributors.

The Group’s advanced and fully-computerized feed production equipment is imported from the USA and Denmark and all of its production process has been certified and approved by international safety standards:

- GMP, the Good Manufacturing Practices which is an award for quality approach to manufacturing;

- HACCP, Hazard Analysis and Critical Control Point which is a system that focuses on preventing food contamination;
- ISO 9001:2000, which involves traceable documentation for operations and production management.

CPP focuses on research and development with the latest technology to create high quality feed formula with high feed conversion ratio which will help farmers in terms of lower production cost. Moreover, CPP also has an after-sales service team of more than 2,700 persons and feed specialist of more than 400 persons to give advice to end users.

b) Other Businesses comprise of CTC and Automotive and Industrial

In addition to various types of nutritious feed, CPP produces CTC, a type of broad-spectrum antibiotic that is effective against various types of bacteria in poultry, swine, sheep and cattle, which are produced by its two subsidiaries. The combined annual production capacities of 45,000 tonnes for Feed-Grade CTC and 1,000 tonnes for Hydrochloride CTC.

CPP also engages in the production of motorcycles under “Dayang” brand name which are sold through more than 5,000 dealers. Besides motorcycles, it produces Carburetor, General-Purpose Gasoline Engine, and Automobile Air-Conditioning System. CPP is also the sole sales agent for Caterpillar products in the western part of China.

Vietnam

For business in Vietnam, CPP invests through its subsidiaries, CPV, with indirect holding of 70.8%. CPV is a fully integrated livestock and aquaculture company with business spans across the production of feed, the farming of livestock and aquatic animals, and aquatic food products.

a) Feed Business

CPV is the leader in terms of animal feed in Vietnam; its products include feed for swine, broiler, layer, duck, cattle, shrimp, and fish. As of 31 December 2010, has 4 livestock feed facilities with total capacity of 2.3 million tonnes per year and 3 aquatic feed facilities with total capacity of 0.6 million tonnes per year. Its feed products are sold through dealers, whereas, CPV currently has approximately 1,300 dealers.

b) Farm Business

CPV’s farming business includes both livestock and aquaculture farms. It is the market leader in swine and broiler production, as well as layer production. As of 31 December 2010, CPV has 6 shrimp

farms/hatcheries, 4 fish farms and about 2,300 livestock farms, of which most are contract farms. CPV employs an integrated, closed farm system and applies modern production technology that is in line with international standards in its farms.

c) Food Business

CPV has a food processing plant including two main production lines: a meat processing line with a capacity of 12,000 tonnes per year and a cold storage for aqua products with a capacity of 3,000 tonnes per year. The processed products including fresh, chilled or frozen are distributed to wholesalers, modern-trade, and domestic retailers. CPV also has a cold storage for aquatic products which are sold to overseas markets, such as the European Union, Japan and other Asian countries with a production capacity of 3,000 tonnes per year.

Revenue structures of CPP in China and Vietnam for the year ended 31 December 2010 and for the first 6-month period ended 30 June 2011 are as follow;

By operation

	2010		1H11	
	US\$ Mn.	%	US\$ Mn.	%
China operation				
Sales from feeds	1,840	61	1,134	62
Sales from CTC	111	4	57	3
Total Sales from China operation	1,951	65	1,191	65
Vietnam operation				
Sales from feeds	587	20	346	19
Sales from farms	414	14	282	15
Sales from foods	45	2	20	1
Total Sales from Vietnam operation	1,046	35	648	35
Total Sales	2,997	100	1,839	100

Source – Financial statements and roadshow presentation of CPP and MS Financial Statements

By product

	2010		1H11	
	US\$ Mn.	%	US\$ Mn.	%
Sales from feeds	2,427	81	1,480	80
Sales from farms	414	14	282	15
Sales from foods	46	2	20	1
Sales from CTC	111	4	57	3
Total Sales	2,997	100	1,839	100

Source – Financial statements and roadshow presentation of CPP and MS Financial Statements

2.3.2 Board of Directors

As at 12 October 2011, the Board of Directors comprises 14 members and a representative of a board member

Name	Title
<u>Executive Director</u>	
1. Mr. Dhanin Chearavanont	Chairman and Executive Chairman
2. Mr. Thanakorn Seriburi	Vice Chairman Executive Director Chief Executive Officer (Industrial Division) Chairman of Remuneration Committee
3. Mr. Soopakij Chearavanont	Vice Chairman Executive Director
4. Mr. Anan Athigapanich	Executive Director
5. Mr. Damrongdej Chalingphuntarat	Executive Director
6. Mr. Bai Shanlin	Executive Director Chief Executive Officer (Feed Division)
7. Mr. Suphachai Chearavanont	Executive Director
8. Mr. Robert Ping-Hsien Ho	Executive Director
9. Mr. Sooksunt Jiumjaiswanglerg	Executive Director
<u>Non-Executive Director</u>	
10. Mr. Meth Jiaravanont	Non-Executive Director Audit Committee
11. Mr. Patrick Thomas Siewert (A representative of Mr. Patrick is Mr. Poon Yee Man, Alwin)	Non-Executive Director Audit Committee Remuneration Committee
<u>Independent Non-Executive Director</u>	
12. Mr. Ma Chiu Cheung, Andrew	Independent Director Chairman of Audit Committee Remuneration Committee
13. Mr. Sombat Deo-isres	Independent Director Audit Committee Remuneration Committee
14. Mr. Sakda Thanicul	Independent Director Audit Committee Remuneration Committee

As at the issued date of this report, the Company has no policy regarding the change of CPP board members after the completion of the Transaction.

2.3.3 CPP's paid-up capital

As at October 31, 2011, CPP has registered capital of USD600,000,000 which can be divided into 36,000,000,000 ordinary shares, a par value of USD0.01 each and 20,000,000,000 Series A CPS, and 4,000,000,000 Series B CPS, a par value of USD0.01 each. CPP has total paid-up capital of USD213,848,301 which can be divided into 16,987,835,710 ordinary shares, a par value of USD0.01 each and 4,396,994,415 CPS, a par value of USD0.01 each.

Thus, the aforementioned paid-up capital does not include new ordinary shares/ unissued convertible preference shares of 3,300,540,621 shares which CPP has agreed to issue the said shares to OSIL or to persons specified by OSIL when CPP's group receive the Intercompany Debt repayment from OSIL's group (the Intercompany Debt is an outstanding advance to OSIL resulting from the restructuring of CPP group in 2009).

2.3.4 CPP's Shareholding List

CPP's shareholding structure of pre and post transaction

(Unit: Shares)	Number of Shares After Full Conversion ¹			% Shareholding	
	Pre	Transaction	Post	Pre	Post
Chearavanont Family and CPG Group					
CPF	-	5,900,931,085	5,900,931,085	0.0%	23.3%
CPII		12,891,843,068	12,891,843,068	0.0%	50.9%
OSIL ²	17,307,509,458	(17,307,509,458)	-	68.3%	0.0%
CPIH	1,004,014,695	(1,004,014,695)	-	4.0%	0.0%
WAT	481,250,000	(481,250,000)	-	1.9%	0.0%
Chearavanont shareholders ³	843,750	-	843,750	0.0%	0.0%
Total - Family and CPG Group	18,793,617,903	-	18,793,617,903	74.2%	74.2%
Public	5,891,752,843	-	5,891,752,843	23.3%	23.3%
CPP Management Option	647,544,234	-	647,544,234	2.6%	2.6%
Total	25,332,914,980	-	25,332,914,980	100.0%	100.0%

Source: The Company, as of 1 August 2011

- 1) Number of shares shown in the table reflects full conversion of outstanding CPSs, unissued Convertible Preferred Shares and share options
- 2) Pre-transaction shares held include ordinary shares converted from 3,261,077,748 CPSs and 3,300,540,621 unissued Convertible Preferred Shares
- 3) Four members of the Chearavanont family, namely, Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon, and Mr. Dhanin Chearavanont.
- 4) CPP Management Option includes
 - (a) the right of CPP executives, who are also CPP directors, to buy 183,769,614 CPP ordinary shares
(the amount represents 0.73% of all paid up CPP ordinary shares and includes both the right of OSIL and the right of CPP executives)
 - (b) the right of CPP executives, who are not CPP directors, to buy 463,774,620 CPP ordinary shares
(the amount represents 1.83% of all paid up CPP ordinary shares)

2.3.5 Dividend Policy

As at the issued date of this report, the Company has no policy regarding the change in CPP dividend policy after the completion of the Transaction.

2.3.6 Summary of CPP financial performance and financial position from year 2008 to 1H11

Important Note

On 28 February 2010, CPP announced that it had completed the acquisition of CP China Investment Limited (“CP China”) and its subsidiaries (hereinafter collectively referred to as “CP China Group”). CP China Group operates in China and focuses on production of animal and aqua feed. Following the acquisition, Feed Business has become the core business of CPP, accounting to 94.3% of total revenues in 2010. As a result, figures in CPP audited financial statement for the year ended 2008 and the year ended 2009 may not be comparable to those in CPP audited financial statement for the year ended 2010 as most of CPP’s revenues in year 2008 and year 2009 were from Chlortetracycline Business.

Therefore, the following discussion and analysis of CPP financial performance is separated in to two sections: section 2.3.6.1 in which CPP Group financial statements as disclosed to the public are assessed, and section 2.3.6.2 in which financial information is extracted and summarized for the purpose of analyzing CPP Group Feed Business, which is now CPP Group’s core business.

However, please note that CPP Group later acquired agricultural company in Vietnam, i.e. MS. The acquisition was completed on 29 July 2011; thus, CPP Group consolidated financial statement for the six-month period ended 30 June 2011 has not incorporated business operation in Vietnam. The business operation in Vietnam will later be discussed and analyzed in section 2.3.7.

In section 2.3.6.1, summary of CPP financial performance and financial position from year 2008 to 1H11 are extracted from the following:

Period	Audited / Unaudited	Extracted from	Majority of revenue contribution
FY2008	audited	CPP consolidated financial statement for the year ended 31 December 2008	Chlortetracycline Business
FY2009	audited	CPP consolidated financial statement for the year ended 31 December 2009	Chlortetracycline Business
FY2010	audited	CPP consolidated financial statement for the year ended 31 December 2010	Feed Business (10-month)
1H10	unaudited	CPP consolidated financial statement for the six-month period ended 30 June 2010	Feed Business (4-month)
1H11	unaudited	CPP consolidated financial statement for the six-month period ended 30 June 2011	Feed Business

In section 2.3.6.2, summary of CPP financial performance and financial position from year 2008 to 1H11 are extracted from the following:

Period	Audited / Unaudited	Extracted from	Majority of revenue contribution
FY2008	audited	The Accountants' Report of CP China Group set out in Appendix II of the circular, dated 31 December 2009, regarding the restructuring involving a very substantial acquisition of CP China Group.	Feed Business
FY2009	unaudited	CPP voluntary announcement, dated 6 December 2010, of the unaudited financial information of CP China Group for the year ended 31 December 2009 (The acquisition of CP China Group was completed before the period CP China Group need to announce its financial statement for the year ended 2009; in other words, there is no audited financial statement for the year ended 2009 of CP China Group. Therefore, for analysis purpose, the management team later voluntary announce unaudited financial information of CP China Group for the year ended 2009)	Feed Business
FY2010	audited	CPP consolidated financial statement for the year ended 31 December 2010	Feed Business (10-month)
1H10	unaudited	CPP voluntary announcement, dated 6 December 2010, of the unaudited financial information of CP China Group for the six-month period ended 30 June 2010	Feed Business
1H11	unaudited	CPP consolidated financial statement for the six-month period ended 30 June 2011	Feed Business

2.3.6.1 Summary of CPP financial performance and financial position from year 2008 to 1H11 (CPP's statutory financial statements)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(US\$'000)	Unaudited		Audited		
	1H11	1H10	FY2010	FY2009	FY2008
Revenue	1,191,057	729,282	1,950,793	74,245	64,492
Cost of sales	(998,661)	(615,040)	(1,640,946)	(64,719)	(58,424)
Gross profit	192,396	114,242	309,847	9,526	6,068
Selling and distribution costs	(62,397)	(28,339)	(84,907)	(3,491)	(3,285)
General and administrative expenses	(56,371)	(35,698)	(75,674)	(13,867)	(15,168)
Other income	7,688	7,541	20,794	1,232	10,502
Share of profits and losses of:					
Jointly-controlled entities	12,726	14,501	22,485	17,027	10,660
An associate	2,827	1,464	5,129	0	0
Profit before interest and tax	96,869	73,711	197,674	10,427	8,777
Finance costs	(7,042)	(5,551)	(14,531)	(917)	(5,768)
Profit before tax	89,827	68,160	183,143	9,510	3,009
Income tax	(17,427)	(9,812)	(30,226)	(676)	(30)
Profit from continuing operations	72,400	58,348	152,917	8,834	2,979
Discontinued operations					
Profit from discontinued operations	0	0	0	0	38,314
Profit	72,400	58,348	152,917	8,834	41,293
Other comprehensive income:					
Exchange differences on translation of foreign operations	9,773	4,043	21,353	435	6,048
Surplus/(deficit) on revaluation of PPE	0	0	7,428	9,102	(1,365)
Fair value changes in available-for-sale investments	0	0	0	11	99
Deferred tax	0	0	(97)	(1,493)	(1,449)
Other comprehensive income	9,773	4,043	28,684	8,055	3,333
Total comprehensive income	82,173	62,391	181,601	16,889	44,626
Profit attributable to:					
Owners of the Company	64,230	51,261	132,840	8,554	45,241
Non-controlling interests	8,170	7,087	20,077	280	(3,948)
	72,400	58,348	152,917	8,834	41,293
Total comprehensive income attributable to:					
Owners of the Company	73,691	55,219	158,627	16,609	48,574
Non-controlling interests	8,482	7,172	22,974	280	(3,948)
	82,173	62,391	181,601	16,889	44,626
Earnings per share attributable to equity holders of the Company					
Basic (US cent)					
For profit	0.398	0.548	1.200	0.296	1.566
For profit from continuing operations	0.398	0.548	1.200	0.296	0.134
Diluted (US cent)					
For profit	0.324	0.356	0.777	N/A	N/A
For profit from continuing operations	0.324	0.356	0.777	N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(US\$ '000)	Unaudited	Audited		
	6/30/2011	12/31/2010	12/31/2009	12/31/2008
Non-current assets				
Property, plant and equipment	276,534	265,095	56,582	54,350
Investment properties	7,921	7,895	5,336	563
Land lease prepayments	18,924	18,899	1,565	1,594
Investments in jointly-controlled entities	123,585	109,280	82,531	65,473
Investment in an associate	34,532	37,094	0	0
Due from related companies	141,680	139,372	0	0
Deferred tax assets	945	929	0	0
Available-for-sale investments	975	964	262	251
Total non-current assets	605,096	579,528	146,276	122,231
Current assets				
Inventories	275,505	238,594	8,514	18,589
Accounts receivable, other receivables and deposits	128,170	98,280	9,912	10,998
Bills receivable	3,405	3,307	166	0
Income tax recoverable	0	0	152	316
Due from non-controlling shareholders	117	885	422	0
Due from related companies	8,448	1,951	995	1,150
Pledged deposits	32,182	25,921	0	0
Cash and cash equivalents	99,682	138,068	6,636	12,480
Total current assets	547,509	507,006	26,797	43,533
Current liabilities				
Accounts payable, other payables and accrued expenses	221,728	239,817	20,171	22,777
Income tax payable	10,549	13,925	2,524	2,524
Provisions for staff bonuses and welfare benefits	6,317	6,365	630	615
Due to non-controlling shareholders	8,870	4,531	527	650
Due to related companies	4,487	5,370	2,020	2,746
Interest-bearing loans and borrowings	287,542	227,573	9,969	18,187
Total current liabilities	539,493	497,581	35,841	47,499
Net current assets	8,016	9,425	(9,044)	(3,966)
Total assets less current liabilities	613,112	588,953	137,232	118,265
Non-current liabilities				
Interest-bearing loans and borrowings	0	12,375	0	0
Deferred tax liabilities	3,420	3,550	3,453	1,449
Other non-current liabilities	16,486	14,869	0	0
Total non-current liabilities	19,906	30,794	3,453	1,449
Net assets	593,206	558,159	133,779	116,816
Equity				
Equity attributable to owners of the Company:				
Issued capital	161,238	161,238	28,898	28,898
Share premium account	777,694	868,694	0	73,897
Reserves	(435,030)	(566,821)	87,341	4,678
Proposed dividend	32,900	33,074	7,843	0
	536,802	496,185	124,082	107,473
Non-controlling interests	56,404	61,974	9,697	9,343
Total equity	593,206	558,159	133,779	116,816

CONSOLIDATED STATEMENT OF CASH FLOW

(US\$'000)	Unaudited		Audited		
	1H11	1H10	FY2010	FY2009	FY2008
Net cash inflow from operating activities					
before tax paid	8,136	16,249	167,512	4,021	47,107
Interest paid	(6,747)	(5,255)	(14,531)	(917)	(24,677)
Tax paid	(21,256)	(5,551)	(20,885)	(1)	(2,647)
Dividend paid	0	0	(8,024)	0	0
Net cash (outflow)/inflow from operating activities	(19,867)	5,443	124,072	3,103	19,783
Net cash (outflow)/inflow from investing activities	(11,282)	87,946	223,601	(726)	4,950
Net cash (outflow)/inflow from financing activities	(8,894)	(1,975)	(219,951)	(8,305)	(96,746)
(Decrease)/Increase in cash and cash equivalents	(40,043)	91,414	127,722	(5,928)	(72,013)
Effect of exchange rate changes, net	1,657	109	3,710	84	1,641
Cash and cash equivalents at beginning	138,068	6,636	6,636	12,480	82,852
Cash and cash equivalents at ending	99,682	98,159	138,068	6,636	12,480

KEY FINANCIAL RATIOS

	Unaudited		Audited		
	1H11	1H10	FY2010	FY2009	FY2008
Profitability					
Gross profit margin	16.2%	15.7%	15.9%	12.8%	9.4%
Profit before interest and tax margin	8.0%	9.8%	9.9%	11.3%	10.2%
Net profit margin	6.0%	7.8%	7.6%	9.5%	3.5%
Return on equity	24.4%	N/A	27.4%	6.6%	35.3%
Liquidity					
Current ratio (times)	1.0	N/A	1.0	0.7	0.9
Collection period (days)	19	N/A	18	48	61
Inventory period (days)	50	N/A	52	47	115
Payment period (days)	40	N/A	53	112	140
Cash cycle (days)	29	N/A	18	-17	36
Leverage					
Debt to equity (times)	0.9	N/A	0.9	0.3	0.4
Interest coverage (times)	13.8	13.3	13.6	11.4	1.5

Analysis of Operating Performance and Financial Position

Operating Performance

Total revenues from 2008 to 2010 were USD 64.5 million, USD 74.2 million, and USD 1,950.8 million, respectively. For year ended 2010, the Company recorded significant increase in revenues as a result of internal restructuring of CPP Group. The restructuring involved the acquisition of business in China focused on production distribution and marketing of animal and aqua feed. After the completion of the acquisition on 28 February 2010, feed has become the core business of the CPP Group, replacing the CTC and industrial businesses which the CPP Group now retains as non-core businesses. In year 2010, of total revenues, 94.3% were contributed by feed business and 5.7% by the CTC business. For six-month period ended 30 June 2011, total revenues amounted to USD 1,191.1 million, an increase of USD 461.8 million from previous period. Of total revenues, 95.2% was attributable to the CPP Group's feed business and 4.8% to its chlortetracycline business. The increase of total revenues of 63.3% from the previous period was a result of an increase in revenue recognition period of feed business (six months compared to four months of previous period). In addition, the increase in total revenues was driven by an improvement in sales mix and an increase in selling prices. However, please be noted that the acquisition of an integrated agricultural company in Vietnam was completed on 29 July 2011; therefore, the financial performance of the acquired company was not consolidated in the 30 September 2011 Financial Statement of CPP Group.

Cost of sales from 2008 to 2010 were USD 58.4 million, USD 64.7 million, and USD 1,640.9 million, representing gross profit margins from 2008 to 2010 of 9.4%, 12.8%, and 15.9%, respectively. For six-month period ended 30 June 2010 and for six-month period ended 30 June 2011, cost of sales amounted to USD 615.0 million and USD 998.7 million, representing gross profit margins of 15.7% and 16.2%, respectively. In year 2010, gross profit margin improved as a result of a decrease in price of main raw material such as soybean meal and coal. Overall, a continued improvement in gross profit margin resulted from the restructuring of CPP group in which feed business replaced CTC business as the Group's core business, and from CPP business strategy in increasing its revenues contribution from products that have higher margins.

Selling and administrative expenses ("SG&A") from 2008 to 2010 were USD 18.5 million, USD 17.4 million, and 160.6 million, representing SG&A as a percentage of total revenues from 2008 to 2010 of 21.5%, 18.8%, and 8.0%, respectively. In 2010, SG&A as a percentage of total revenues decreased as a result of the restructuring of CPP Group in which feed business replaced CTC business as the Group's core business. For six-month period ended 30 June 2010 and for six-month period ended 30 June 2011, SG&A amounted to USD 64.0 million and USD 118.7 million, representing SG&A as a percentage of total revenues of 8.5% and 9.8%, respectively.

Profit from continued operations from 2008 to 2010 were USD 3.0 million, USD 8.8 million, and USD 152.9 million respectively. Net profits in 2010 increased significantly from the previous period as a result of the CPP Group restructuring. Net profit margins from 2008 to 2010 were 3.5%, 9.5%, and 7.6%, respectively. Other income as a percentage of earning before interest expenses and tax (“EBIT”) from 2008 to 2010 was 119.7%, 11.8%, and 10.5%, respectively. Other income as a percentage of EBIT was very high in 2008; however, it has decreased over the year. For six-month period ended June 2010 and for six-month period ended June 2011, profit from continued operations were USD 58.3 million and USD 72.4 million, representing net profit margins for the same period of 7.8% and 6.0%, respectively. Other income as a percentage of EBIT for the period six-month period ended 30 June 2010 and for the six-month period ended 30 June 2011 were 10.2% and 7.9%, respectively.

Financial Position

The group restructuring in year 2010 resulted in material change in CPP financial position as follow.

Non-current assets as at year ended 31 December from 2008 to 2010 and as at 30 June 2011 were USD 122.2 million, USD 146.3 million, USD 579.5 million, and USD 605.1 million, respectively. In 2010, non-current assets increased by USD 433.3 million. The increase was mainly attributable to an increase in property, plant and equipment, which increased by USD 208.5 million. Current assets during the same period were USD 43.5 million, USD 26.8 million, USD 507.0 million, and USD 547.5 million, respectively. In 2010, current assets increased by USD 480.2 million. The increase was mainly attributable to an increase in inventories and an increase in cash and cash equivalent which increased by USD 230.1 million and USD 131.4 million, respectively.

Current liabilities as at year ended 31 December from 2008 to 2010 and as at 30 June 2011 were USD 47.5 million, USD 35.8 million, USD 497.6 million, and USD 539.5 million, respectively. In 2010, current liabilities increased by USD 461.7 million. The increase was mainly attributable to an increase in accounts payable, other payables and accrued expenses, which increased by USD 219.7 million; and current interest-bearing bank borrowings which increased by USD 217.6 million. Non-current liabilities during the same period were USD 1.4 million, USD 3.5 million, USD 30.8 million, and USD 19.9 million, respectively. In 2010, non-current liabilities increased by USD 27.3 million. The increase was mainly attributable to an increase in non-current interest-bearing bank borrowings and other non-current liabilities which increased by USD 12.4 million and USD 14.9 million, respectively.

Equity attributable to owners of the CPP Group as at year ended 31 December from 2008 to 2010 and as at 30 June 2011 were USD 116.8 million, USD 133.8 million, USD 558.2 million, and USD 593.2 million, respectively. In 2010, equity attributable to owners of the CPP Group increased by USD 424.4 million. The increase was mainly attributable to an increase in issued capital of USD 132.3 million and an

increased in share premium account of USD 868.7 million, in which CPP issued new share as a consideration to acquire the feed business in China.

Liquidity

Current ratios as at year ended 31 December 2008 to 2010 and as at 30 June 2011 were 0.9 times, 0.7 times, 1.0 times, and 1.0 times, respectively. The level of current ratios was relatively stable and implied sufficient liquidity during the period under review.

Cash cycles during the same period were 36 days, (17) days, 18 days, and 29 days, respectively. The restructuring resulted in the change in cash cycle, especially collection period which decreased from 61 days as at 31 December 2008 to 19 days as at 30 June 2011. In addition, payment period also decreased from 140 days as at 31 December 2008 to 40 days as at 30 June 2011. Cash inflow in year 2010 amounted to USD 127.7 million in which operating activities produced USD 124.1 million cash inflow (which was mainly attributable to group restructuring and increase in profits from continued operations), investing activities produced USD 223.6 cash inflow (which was mainly attributable to cash received from debt payment of related companies of USD 154.9 million), and financing activities resulted in USD 220.0 million cash outflow (which was mainly attributable to debt repayment to financial institution).

Debt to Equity ratios as at year ended 31 December 2008 to 2010 and as at 30 June 2011 were 0.4 times, 0.3 times, 0.9 times, and 0.9 times, respectively. The latest Debt to Equity ratio of 0.9 times is considered relatively low, if taking the interest coverage ratio of 13.8 times into consideration, CPP has strong capability to debt financing its operation in the future if it chooses to do so.

2.3.6.2 Summary of CPP financial performance and financial position from year 2008 to 1H11 (CPP Group Feed business only)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD'000)	Unaudited		Audited	Unaudited	Audited
	1H11	1H10	FY2010	FY2009	FY2008
Revenue	1,191,057	952,704	1,950,793	1,948,482	1,944,630
Cost of sales	(998,661)	(822,009)	(1,640,946)	(1,686,612)	(1,720,972)
Gross profit	192,396	130,695	309,847	261,870	223,658
Selling and distribution costs	(62,397)	(38,646)	(84,907)	(79,185)	(68,536)
General and administrative expenses	(56,371)	(40,993)	(75,674)	(70,612)	(102,185)
Service fees				(31,231)	
Other income	7,688	6,587	20,794	14,085	3,048
Share of profits and losses of:					
Jointly-controlled entities	12,726	2,352	22,485	2,826	2,921
An associate	2,827	1,968	5,129	3,971	5,443
Profit before interest and tax	96,869	61,963	197,674	101,724	64,349
Finance costs	(7,042)	(9,724)	(14,531)	(24,283)	(17,718)
Profit before tax	89,827	52,239	183,143	77,441	46,631
Income tax	(17,427)	(8,207)	(30,226)	(15,343)	(8,718)
Profit from continuing operations	72,400	44,032	152,917	62,098	37,913
Discontinued operations					
Profit from discontinued operations	0	11	0	136,285	0
Profit	72,400	44,043	152,917	198,383	37,913
Other comprehensive income:					
Exchange differences on translation					
of foreign operations	9,773	3,219	21,353	1,814	11,502
Surplus/(deficit) on revaluation of PPE	0	0	7,428	0	0
Fair value changes in available-for-sale investments	0	0	0	0	0
Deferred tax	0	0	(97)	0	0
Other comprehensive income	9,773	3,219	28,684	1,814	11,502
Total comprehensive income	82,173	47,262	181,601	200,197	49,415
Profit attributable to:					
Owners of the Company	64,230	39,169	132,840	199,178	33,028
Non-controlling interests	8,170	4,874	20,077	(795)	4,885
Total comprehensive income attributable to:	72,400	44,043	152,917	198,383	37,913
Total comprehensive income attributable to:					
Owners of the Company	73,691	42,388	158,627	200,992	44,530
Non-controlling interests	8,482	4,874	22,974	(795)	4,885
Total comprehensive income attributable to	82,173	47,262	181,601	200,197	49,415
Earnings per share attributable to equity holders of the Company					
Basic (US cent)					
For profit	0.398		1.200		
For profit from continuing operations	0.398		1.200		
Diluted (US cent)					
For profit	0.324		0.777		
For profit from continuing operations	0.324		0.777		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(US\$'000)	Unaudited 6/30/2011	Audited 12/31/2010	Unaudited 12/31/2009	Audited 12/31/2008
Non-current assets				
Property, plant and equipment	276,534	265,095	186,814	179,311
Investment properties	7,921	7,895	1,259	1,745
Land lease prepayments	18,924	18,899	15,532	16,030
Investments in jointly-controlled entities	123,585	109,280	6,686	1,111
Investment in an associate	34,532	37,094	30,298	29,012
Due from related companies	141,680	139,372	349,726	443,341
Deferred tax assets	945	929	897	771
Goodwill				2,596
Available-for-sale investments	975	964	684	61
Total non-current assets	605,096	579,528	591,896	673,978
Current assets				
Assets held for sale			59,104	
Inventories	275,505	238,594	172,941	119,267
Accounts receivable, other receivables and deposits	128,170	98,280	30,903	15,753
Bills receivable	3,405	3,307	4,850	1,571
Income tax recoverable	0	0		249
Due from non-controlling shareholders	117	885		2,158
Due from related companies	8,448	1,951	22,542	
Pledged deposits	32,182	25,921	1,201	20,262
Cash and cash equivalents	99,682	138,068	70,006	55,219
Total current assets	547,509	507,006	361,547	214,479
Current liabilities				
Liabilities held for sale			8,811	
Accounts payable, other payables and accrued expenses	221,728	239,817	170,442	103,838
Bills payable			13,330	26,410
Income tax payable	10,549	13,925	2,800	2,972
Provisions for staff bonuses and welfare benefits	6,317	6,365	6,172	7,259
Due to non-controlling shareholders	8,870	4,531	2,417	4,795
Due to related companies	4,487	5,370	83,614	
Interest-bearing loans and borrowings	287,542	227,573	352,333	313,233
Total current liabilities	539,493	497,581	639,919	458,507
Net current assets	8,016	9,425	(278,372)	(244,028)
Total assets less current liabilities	613,112	588,953	313,524	429,950
Non-current liabilities				
Due to related companies				152,520
Interest-bearing loans and borrowings	0	12,375	54,145	82,259
Deferred tax liabilities	3,420	3,550		
Other non-current liabilities	16,486	14,869		
Total non-current liabilities	19,906	30,794	54,145	234,779
Net assets	593,206	558,159	259,379	195,171
Equity				
Equity attributable to owners of the Company:				
Issued capital	161,238	161,238	79,228	79,228
Share premium account	777,694	868,694		
Reserves	(435,030)	(566,821)	138,672	74,374
Proposed dividend	32,900	33,074		
	536,802	496,185	217,900	153,602
Non-controlling interests	56,404	61,974	41,479	41,569
Total equity	593,206	558,159	259,379	195,171

CONSOLIDATED STATEMENT OF CASH FLOW

(US\$'000)	Unaudited		Audited	Unaudited	Audited
	1H11	1H10	FY2010	FY2009	FY2008
Net cash inflow from operating activities					
before tax paid	8,136	16,249	167,512	4,021	(133,378)
Interest paid	(6,747)	(5,255)	(14,531)	(917)	(17,718)
Tax paid	(21,256)	(5,551)	(20,885)	(1)	(8,548)
Dividend paid	0	0	(8,024)	0	
Net cash (outflow)/inflow from operating activities	(19,867)	5,443	124,072	3,103	(159,644)
Net cash (outflow)/inflow from investing activities	(11,282)	87,946	223,601	(726)	(24,818)
Net cash (outflow)/inflow from financing activities	(8,894)	(1,975)	(219,951)	(8,305)	180,088
(Decrease)/Increase in cash and cash equivalents	(40,043)	91,414	127,722	(5,928)	(4,374)
Effect of exchange rate changes, net	1,657	109	3,710	84	1,226
Cash and cash equivalents at beginning	138,068	6,636	6,636	12,480	58,367
Cash and cash equivalents at ending	99,682	98,159	138,068	6,636	55,219

KEY FINANCIAL RATIOS

	Unaudited		Audited	Unaudited	Audited
	1H11	1H10	FY2010	FY2009	FY2008
Profitability					
Gross profit margin	16.2%	13.7%	15.9%	13.4%	11.5%
Profit before interest and tax margin	8.0%	6.4%	9.9%	5.2%	3.3%
Net profit margin	6.0%	4.6%	7.6%	3.2%	1.9%
Return on equity	24.4%	N/A	27.4%	76.5%	19.4%
Liquidity					
Current ratio (times)	1.0	N/A	1.0	0.6	0.5
Collection period (days)	19	N/A	18	6	3
Inventory period (days)	50	N/A	52	37	25
Payment period (days)	40	N/A	53	36	22
Cash cycle (days)	29	N/A	18	6	6
Leverage					
Debt to equity (times)	0.9	N/A	0.9	2.7	3.6
Interest coverage (times)	13.8	6.4	13.6	4.2	3.6

Analysis of Operating Performance and Financial Position

Operating Performance

Total revenues from 2008 to 2010 were USD 1,944.6 million, USD 1,948.5 million, and USD 1,950.8 million, respectively. In year 2010, of total revenues, 94.3% were contributed by feed business and 5.7% by the CTC business. For six-month period ended 30 June 2011, total revenues amounted to USD 1,191.1 million, an increase of USD 238.4 million from previous period. Of total revenues, 95.2% was attributable to the CPP Group's feed business and 4.8% to its chlortetracycline business. However, please noted that the acquisition of an integrated agricultural company in Vietnam was completed on 29 July 2011; therefore, the financial performance of the acquired company was not consolidated in the 30 June 2011 Financial Statement of CPP Group.

Cost of sales from 2008 to 2010 were USD 1,721.0 million, USD 1,686.6 million, and USD 1,640.9 million, representing gross profit margins from 2008 to 2010 of 11.5%, 13.4%, and 15.9%, respectively. For six-month period ended 30 June 2010 and for six-month period ended 30 June 2011, cost of sales amounted to USD 822.0 million and USD 998.7 million, representing gross profit margins of 13.7% and 16.2%, respectively. In year 2010, gross profit margin improved as a result of a decrease in price of main raw material such as soybean meal and coal, and as a result of CPP business strategy in increasing its revenues contribution from products that have higher margins.

Selling and administrative expenses ("SG&A") from 2008 to 2010 were USD 170.7 million, USD 149.8 million, and 160.6 million, representing SG&A as a percentage of total revenues from 2008 to 2010 of 8.7%, 7.6%, and 8.0%, respectively. For six-month period ended 30 June 2010 and for six-month period ended 30 June 2011, SG&A amounted to USD 79.6 million and USD 118.8 million, representing SG&A as a percentage of total revenues of 8.3% and 9.8%, respectively.

Technical Assistant Services Fees in year 2009 of USD 31.2 million were paid by the companies within the CP China Group to then the holding company, CPG. Later, commencing from January 2010, the services fees are paid to CP China and are eliminated on consolidation.

Profit from continued operations from 2008 to 2010 were USD 37.9 million, USD 62.1 million, and USD 152.9 million, representing net profit margins of 1.9%, 3.2%, and 7.6%, respectively. Other income as a percentage of earning before interest expenses and tax ("EBIT") from 2008 to 2010 was 4.7%, 13.8%, and 10.5%, respectively. For six-month period ended June 2010 and for six-month period ended June 2011, Profit from continued operations were USD 44.0 million and USD 72.4 million, representing operating profit margins for the same period of 4.6% and 6.0% respectively. Other income as a percentage of EBIT for six-month period ended 30 June 2010 and for six-month period ended 30 June 2011 were 10.6% and 7.9%, respectively.

Financial Position

Non-current assets as at year ended 31 December from 2008 to 2010 and as at 30 June 2011 were USD 674.0 million, USD 591.9 million, USD 579.5 million, and USD 605.1 million, respectively. The increase was mainly attributable to an increase in property, plant and equipment. Current assets during the same period were USD 214.5 million, USD 361.5 million, USD 507.0 million, and USD 547.5 million, respectively. The increase was mainly attributable to an increase in inventories and an increase in accounts receivable.

Current liabilities as at year ended 31 December from 2008 to 2010 and as at 30 June 2011 were USD 458.5 million, USD 639.9 million, USD 497.6 million, and USD 539.5 million, respectively. The increase was mainly attributable to an increase in accounts payable, other payables and accrued expenses. Non-current liabilities during the same period were USD 234.8 million, USD 54.1 million, USD 30.8 million, and USD 19.9 million, respectively. The decrease was mainly attributable to a decrease in non-current interest-bearing bank borrowings and due to related companies.

Equity attributable to owners of the CPP Group as at year ended 31 December from 2008 to 2010 and as at 30 June 2011 were USD 195.1 million, USD 259.4 million, USD 558.2 million, and USD 593.2 million, respectively.

Liquidity

Current ratios as at year ended 31 December 2008 to 2010 and as at 30 June 2011 were 0.5 times, 0.6 times, 1.0 times, and 1.0 times, respectively. In latter periods, the level of current ratios was relatively stable and implied sufficient liquidity during the period under review.

Cash cycles during the same period were 6 days, 6 days, 18 days, and 29 days, respectively. The increases were mainly attributable to both an increase of collection period from 3 days as at 31 December 2008 to 19 days as at 30 June 2011 and an increase of inventory period from 25 days as at 31 December 2008 to 50 days as at 30 June 2011. Cash inflow in year 2010 amounted to USD 127.7 million in which operating activities produced USD 124.1 million cash inflow (which was mainly attributable to group restructuring and increase in profits from continued operations), investing activities produced USD 223.6 cash inflow (which was mainly attributable to cash received from debt payment of related companies of USD 154.9 million), and financing activities resulted in USD 220.0 million cash outflow (which was mainly attributable to debt repayment to financial institution).

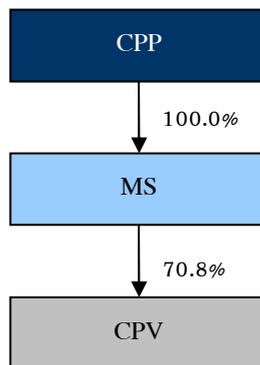
Debt to Equity ratios as at year ended 31 December 2008 to 2010 and as at 30 June 2011 were 3.6 times, 2.7 times, 0.9 times, and 0.9 times, respectively. The latest Debt to Equity ratio of 0.9 times is

considered relatively low, if taking the interest coverage ratio of 13.8 times into consideration, CPP has strong capability to debt financing its operation in the future if it chooses to do so.

2.3.7 Summary of CPV financial performance and financial position from year 2008 to 1H11

Important Note

The following simplified diagram illustrates the corporate and shareholding structure (in terms of ordinary shares) of the CPP Group in relation to CPP's controlling interest in CPV as at the latest practicable date.



MS is a company incorporated in the British Virgin Islands, holding 70.8% of the issued share capital of CPV. MS currently functions as an investment holding company of CPV only. There is one ongoing related party transaction, Technical Assistant Services Fee, between MS and CPV. The Technical Assistant Services Fee agreement requires CPV to pay 1.5% of the net sales value of the products manufactured, produced and/or sold by CPV to MS. Therefore, for the purpose of discussing and analyzing CPV as part of the overall CPP Group, we rely on MS consolidated financial statements for the period of 2008 to 30 June 2011 which incorporate in all related party transactions

STATEMENT OF COMPREHENSIVE INCOME

(USD '000)	Unaudited		Audited		
	1H11	1H10	FY2010	FY2009	FY2008
Revenue	648,182	483,000	1,046,486	869,441	835,414
Cost of sales	(549,158)	(435,865)	(914,139)	(742,802)	(727,403)
Gross profit	99,024	47,135	132,347	126,639	108,011
Selling and distribution costs	(6,725)	(6,590)	(13,355)	(14,826)	(14,994)
General and administrative expenses	(12,883)	(9,268)	(20,061)	(19,001)	(15,627)
Technical service fee	(9,599)	(14,262)	(30,878)	(25,522)	(24,585)
Other income	3,445	2,201	1,768	2,073	446
Gain on unrealised fair value changes of					
biological assets	78,898	18,690	23,318	23,834	8,048
Other expenses	(7,214)	(5,560)	(6,337)	(8,604)	(8,242)
Profit before interest and tax	144,946	32,346	86,802	84,593	53,057
Finance costs	(25,637)	(10,511)	(25,861)	(10,926)	(17,206)
Profit before tax	119,309	21,835	60,941	73,667	35,851
Income tax	(22,070)	(5,507)	(11,235)	(13,961)	(8,885)
Profit from continuing operations	97,239	16,328	49,706	59,706	26,966
Discontinued operations					
Profit from discontinued operations	0	1,873	1,873	0	0
Profit	97,239	18,201	51,579	59,706	26,966
Other comprehensive income:					
Exchange differences on translation					
of foreign operations	(10,647)	(6,475)	(11,214)	(11,477)	(13,195)
Other comprehensive income	(10,647)	(6,475)	(11,214)	(11,477)	(13,195)
Total comprehensive income	86,592	11,726	40,365	48,229	13,771
Profit from continuing operations attributable to:					
Equity holders of the Company	71,369	11,288	34,386	41,044	23,314
Non-controlling interests	25,870	5,040	15,320	18,662	3,652
	97,239	16,328	49,706	59,706	26,966
Profit attributable to:					
Equity holders of the Company	71,369	13,161	36,259	41,044	23,314
Non-controlling interests	25,870	5,040	15,320	18,662	3,652
	97,239	18,201	51,579	59,706	26,966
Total comprehensive income					
attributable to:					
Equity holders of the Company	63,137	8,537	28,460	31,844	14,549
Non-controlling interests	23,455	3,189	11,905	16,385	(778)
	86,592	11,726	40,365	48,229	13,771

STATEMENT OF FINANCIAL POSITION

(USD '000)	Unaudited	Audited		
	30/6/2011	31/12/2010	31/12/2009	31/12/2008
Non-current assets				
Property, plant and equipment	158,824	157,305	149,478	123,888
Intangible assets	1,806	1,987	1,286	1,790
Land lease prepayments	4,950	5,040	1,017	378
Non-current livestock	40,373	29,195	22,674	17,817
Long term deposits	233	42	36	147
Deferred tax assets				649
Total non-current assets	206,186	193,569	174,491	144,669
Current assets				
Inventories	308,410	225,567	164,481	114,355
Current livestock	163,263	98,527	78,514	65,547
Trade and other receivables	70,673	59,766	33,712	53,442
Land lease prepayments	1,652	1,605	1,281	1,462
Short-term investments				
Other current assets				
Cash and cash equivalents	8,080	15,621	42,347	12,292
Total current assets	552,078	401,086	320,335	247,098
Total assets	758,264	594,655	494,826	391,767
Equity				
Issued capital	106,984	6,179		
Other capital reserves				
Retained earnings	100,149	138,135	140,590	114,715
	207,133	144,314	140,590	114,715
Non-controlling interests	81,781	61,626	64,998	42,644
Total equity	288,914	205,940	205,588	157,359
Non-current liabilities				
Interest-bearing loans and borrowings	15,957	10,995	17,247	15,127
Provision for severance allowance	2,466	2,226	1,980	1,842
Deferred tax liabilities	16,523	2,159	1,431	
Other non-current liabilities				
Total non-current liabilities	34,946	15,380	20,658	16,969
Current liabilities				
Trade and other payables	80,051	80,143	86,553	60,073
Interest-bearing loans and borrowings	347,433	288,187	178,267	154,963
Other liabilities and accrued expenses				
Income tax payable	6,920	5,005	3,760	2,403
Other current liabilities				
Total current liabilities	434,404	373,335	268,580	217,439
Total liabilities	469,350	388,715	289,238	234,408

CONSOLIDATED STATEMENT OF CASH FLOW

(USD '000)	Unaudited		Audited		
	1H11	1H10	FY2010	FY2009	FY2008
Net cash (outflow)/inflow from					
operating activities	N/A	N/A	(45,022)	60,413	(1,912)
Net cash (outflow)/inflow from					
investing activities	N/A	N/A	(55,162)	(64,795)	(80,179)
Net cash (outflow)/inflow from					
financing activities	N/A	N/A	75,515	36,086	72,292
(Decrease)/Increase in cash and cash					
equivalents	N/A	N/A	(24,669)	31,704	(9,799)
Effect of exchange rate changes, net			(1,797)	(1,616)	1,891
Cash and cash equivalents at beginning	N/A	N/A	41,845	11,757	19,665
Cash and cash equivalents at ending	N/A	N/A	15,379	41,845	11,757

KEY FINANCIAL RATIOS

	Unaudited		Audited		
	1H11	1H10	FY2010	FY2009	FY2008
Profitability					
Gross profit margin	15.3%	9.8%	12.6%	14.6%	12.9%
Profit before interest and tax margin	19.8%	6.4%	8.1%	9.4%	6.3%
Net profit margin	13.3%	3.2%	4.6%	6.7%	3.2%
Return on equity	67.3%	N/A	24.1%	29.0%	17.1%
Liquidity					
Current ratio (times)	1.3	N/A	1.1	1.2	1.1
Collection period (days)	20	N/A	21	14	23
Inventory period (days)	101	N/A	89	80	57
Payment period (days)	26	N/A	32	42	30
Cash cycle (days)	94	N/A	78	52	50
Leverage					
Debt to equity (times)	1.6	N/A	1.9	1.4	1.5
Interest coverage (times)	5.7	3.1	3.4	7.7	3.1

Analysis of Operating Performance and Financial Position

Operating performance

Total revenues from 2008 to 2010 were USD 835.4 million, USD 869.4 million, and USD 1,046.5 million respectively, representing a growth rate of 4.1% in year 2009, and 20.4% in year 2010. For six-month period ended 30 June 2011, total revenues was USD 648.2 million compared to USD 483.0 million of the previous period, representing a growth rate of 34.2% which is due to strong economic growth in Vietnam and an increase in meat consumption per capita.

Cost of good sold from 2008 to 2010 were USD 727.4 million, 742.8 million, and 914.1 million, representing a gross profit margin of 12.9%, 14.6%, and 12.6%, respectively. For six-month period ended 30 June 2011, cost of good sold was USD 549.2 million compared to USD 435.9 million of the previous period, representing a gross profit margin of 15.3%, an improvement from that in previous period which was 9.8%. The increase in gross profit margin for six-month ended 30 June 2011 was due to an increase in swine selling price which has, relatively, increased more than its cost.

SG&A and technical assistant services fees from 2008 to 2010 were USD 55.2 million, USD 59.3 million, and USD 64.3 million. As a % of total revenues, SG&A and technical assistant services fees were 6.5%, 6.6%, and 6.0%, respectively during the same period. For six-month period ended 30 June 2011, SG&A was USD 29.2 million or 4.0% as a percentage of total revenues compared to the previous period of USD 30.1 million or 6.0% as a percentage of total revenues.

Net profits from 2008 to 2010 were USD 27.0 million, USD 59.7 million, and USD 49.7 million, representing net profit margins of 3.2%, 6.7%, and 4.6%, respectively. For six-month period ended 30 June 2011, net profits was USD 97.2 million or a net profit margin of 13.3%, an improvement from a previous period of USD 16.3 million or a net profit margin of 3.2%. However, a significant increase in net profit margins for the six-month period ended 30 June 2011 is attributable to unrealized gain on fair value adjustments of livestock of USD 78.9 million which was higher than usual compared to those in other previous years and which was a result of a significant increase in swine price. Thus, the net profit margins are expected to decrease to a normal level as the swine price becomes more stable in the future.

Financial position

Non-current assets as at year ended 2008 to 2010 and as at 30 June 2011 were USD 144.7 million, USD 174.5 million, USD 193.6 million, and USD 206.2 million, respectively. The increase was mainly attributable to an increase in property, plant and equipment. Current assets during the same period were USD 247.1 million, USD 320.3 million, USD 401.1 million, and USD 552.1 million, respectively. The increase

was mainly attributable to an increase in current livestock which were due to business expansion and fair value adjustments and inventories which were due to business expansion.

Non-current liabilities as at year ended 2008 to 2010 and as at 30 June 2011 were USD 17.0 million, USD 20.7 million, USD 15.4 million, and USD 34.9 million, respectively. The increase was mainly attributable to an increase in non-current interest-bearing loans and borrowings, and an increase in deferred tax liabilities. Current liabilities during the same period were USD 217.4 million, USD 268.6 million, USD 373.3 million, and USD 434.4 million, respectively. The increase was mainly attributable to an increase in current interest-bearing loans and borrowings, and trade and other payables. Please note that the increase in interest-bearing loans and borrowings was due to an anticipation and preparation of future company growth and expansion. As a result, the overall debt may have been higher but is still at a manageable level which is evident when analyzing interest-coverage ratio as discussed under liquidity section.

Shareholders' equity as at year ended 2008 to 2010 and as at 30 June 2011 were USD 157.4 million, USD 205.6 million, USD 205.9 million, and USD 288.9 million, respectively.

Liquidity

Current ratios as at year ended 31 December 2008 to 2010 and as at 30 June 2011 were 1.1 times, 1.2 times, 1.1 times, and 1.3 times, respectively. The level of current ratios is relatively stable and implies sufficient liquidity during the period under review.

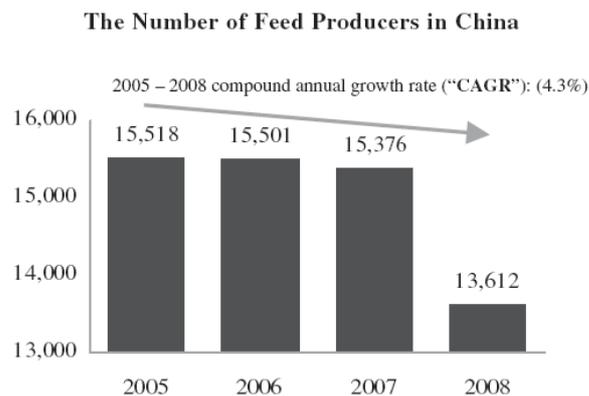
Cash cycles during the same period were 50 days, 52 days, 78 days, and 94 days, respectively. Cash cycle has been increasing steadily as a result of longer inventory days and shorter payable days.

Debt to Equity ratios as at year ended 31 December 2008 to 2010 and as at 30 June 2011 were 1.5 times, 1.4 times, 1.9 times, and 1.6 times, respectively. While interest coverage ratios during the same period were at 3.1 times, 7.7 times, 3.4 times, and 5.7 times, respectively.

2.3.8 Industry Outlook – CPP

Feed in China

Feed industry in China remains highly fragmented. A stricter regulation by the Chinese government in relation to health and safety has had a negative consequence on backyard operators or small scale producers. This is due to the fact that these small scale producers do not have an appropriate production process in place to produce feed that meets the quality standard. This gives large scale producers a competitive advantage since they have the capability and access to funding which help them improve their production process to meet stricter quality standard. And due to stricter regulation, the industry has become more consolidated as feed producers seek greater collaboration in improving their production technique. As a result, the number of feed producers decreased from 15,376 in 2007 to 13,612 in 2008, representing a reduction of approximately 12% or a negative compound annual growth rate (“CAGR”) of -4.3% from year 2005 to 2008.

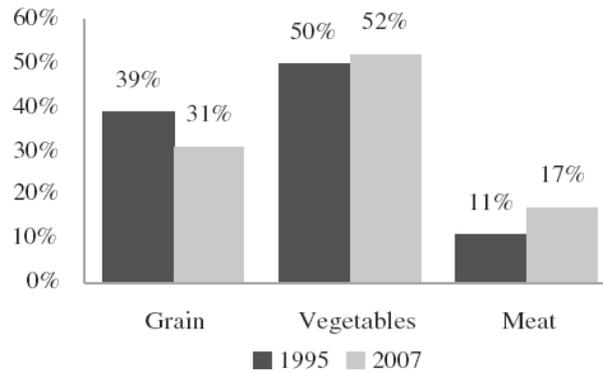


Source: China Feed Industry Association 2009

The growth rate of China Real Gross Domestic Product (“Real GDP”) from year 2000 to 2008 was averaged at 10.2%. This high level of growth has increase the living standard of the Chinese population across the country. And with rising disposable income, the country witnessed a change in consumer behavior; the Chinese consumers increased their consumption of meat protein.



China Food Consumption Trends by Proportion



Source: China Statistical Year Book, 2008

In 2005, meat consumption in China was 47 kg/person/year compared to 25 kg/person/year in 1995². And due to the rise in demand for meat products, there has thus been a rise in demand for feed products. On average, demand for meat products grew at 9.4% per year from year 2000 to 2008³

Today, aqua businesses in China are still at a very preliminary stage of development. In 2008, all aqua farms in China amounted to only 34.1 million metric tonnes and have an average growth rate of 5.1% per year from year 2003 to 2008. However, the Chinese government had set target of expanding the industry to 45.5 million metric tonnes by year 2010, a move that could result in greater growth in aqua feed business.

The livestock industry and the aquaculture industry in Vietnam

Vietnam has a growing population. The population increased from 82.3 million in 2004 to 87.0 million in 2010, representing a CAGR of 0.9%. According to Euromonitor, the population is expected to grow from 87.0 million in 2010 to 94.0 million in 2020.

Gross Domestic Product or GDP of Vietnam increased from USD 32.5 billion in 2001 to USD 102 billion in 2010, representing an average growth rate of 13.6% per year⁴, while Vietnamese GDP per capita, according to Euromonitor, is expected to USD 2,949 in 2020. All of these indicate strong growth prospect in Vietnam.

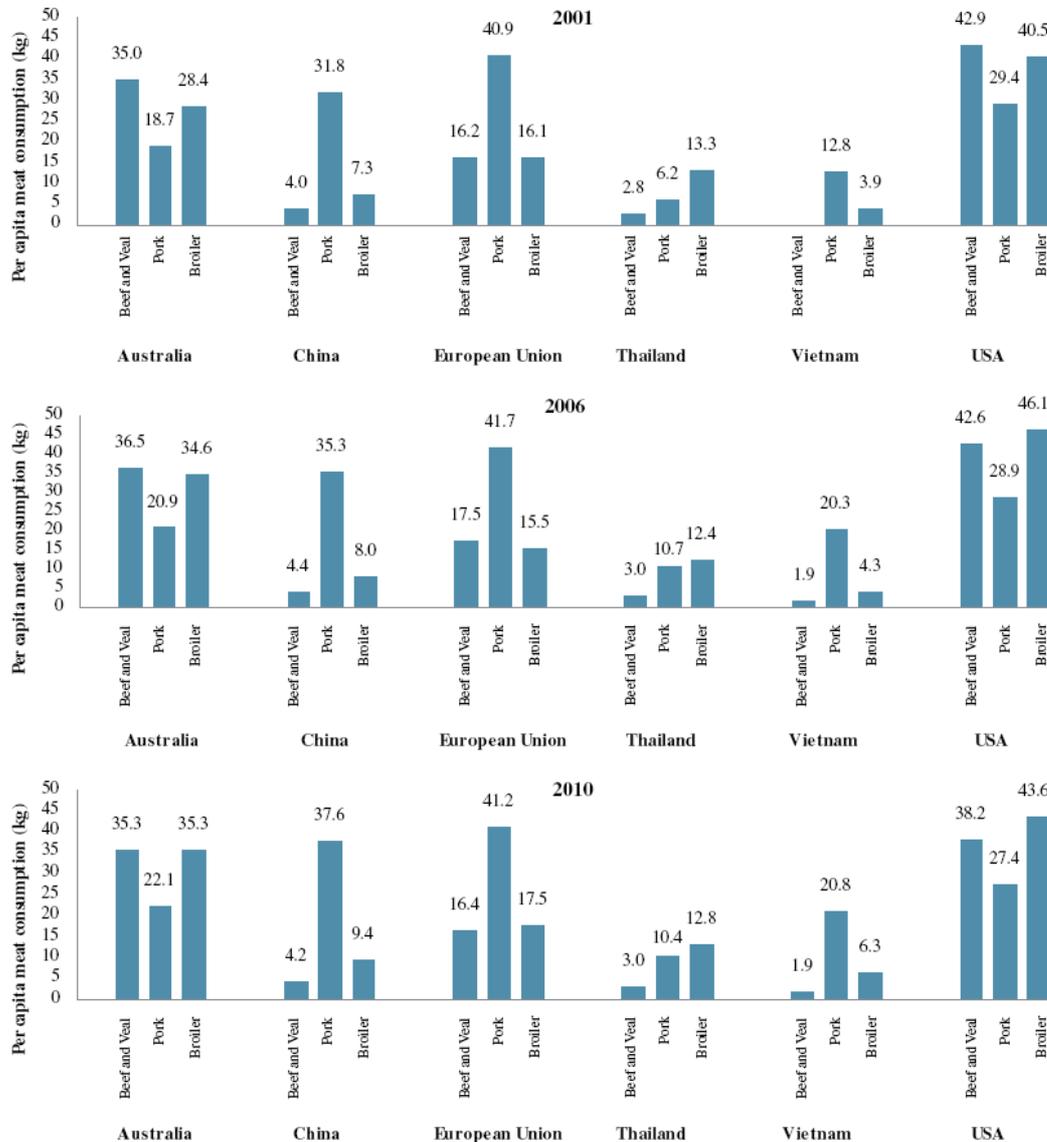
In 2001, Vietnamese per capita meat consumption was 16.7 kg/person/year which was lower than that of Thai, 22.3 kg/person/year. The per capita consumption of pork in Vietnam has been relatively higher compared to that of beef, veal, and broiler. Later in year 2010, Vietnamese per capita meat consumption

² Source: United States Department of Agriculture

³ Source: Beijing Orient Agribusiness Consultants Limited Report, November 2009

⁴ Source: International Monetary Fund

increased to 29.0 kg/person/year which is now higher than that of Thai, 26.2 kg/person/year. Nonetheless, Pork and broiler still retains their popularity among the Vietnamese.



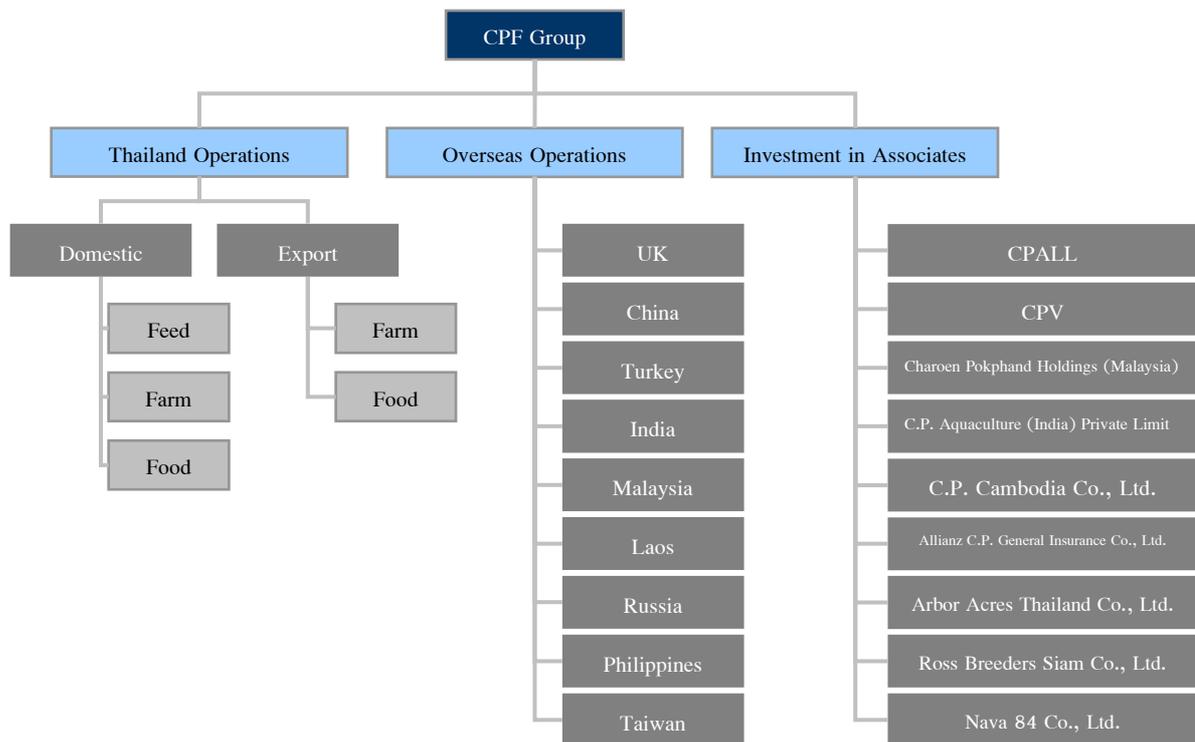
Source: The Food and Agricultural Policy Research Institute (FAPRI)

According to General Statistics Office of Vietnam (“GSOV”), it is estimated that, in 2009, a number of chicken, pork, and cow raised were 280 million, 28 million, and 6 million, respectively. This represented an average growth rate per year since year 2001 of 3.2% for chicken, 3.0% for pork, and 5.8% for cow. Aqua farm in 2009 was estimated at 2.6 million metric tonnes, of which 2.0 million metric tonnes was fish, and 0.4 million metric tonnes was shrimp. The average growth rate per year since 2001 was 21.1% for fish and 13.0% for shrimp. In addition, GSOV estimated that in 2009, Vietnam has a total of 135,437 farms, of which 20,809 were livestock farms and 35,489 were aqua farms. The average growth rate per year since 2001 of total farms was 10.5%

3. Summary of Company Information

3.1 Business Overview

CPF Group engages in the operation of agro-industrial and integrated food business. The businesses are divided into two segments: 1) Livestock Business which comprises of chicken, duck and swine, and 2) Aquaculture Business which comprises of fish and shrimps. If categorized by products, the business can be divided into three segments: 1) Feed Business, 2) Farm Business: breeding animals, farming animals for commercial purposes, and processing meat, and 3) Food Business: manufacturing of cooked food, and producing ready-to-eat food. In addition, CPF invests in related domestic and overseas businesses, which includes CPALL, a Thailand-based company engaged in the operation of convenience stores, and C.P. Vietnam Corporation, a Vietnam-based company which engages in similar business as the Company's. As at 30 September 2011, the CPF Group structure is as follow:



Source: CPF

Feed Business

CPF Group is the pioneer and leader in the production of various form of livestock feed and aquatic feed in Thailand. The feeds are produced in the form of concentrate, powder, and pellet. CPF Group distributes feed to small independent farmers through agents/distributors across Thailand. In addition, some portion is sold directly to large animal farms. CPF Group strategy is to focus on continuous improvement on production

efficiency in order to be cost competitive while maintaining product quality and emphasizing after sale service by directly provide education to agents/distributors and independent farmers.

Farm Business

CPF Group is the leader in the research and development field of natural genetic selection. The objective is to produce quality breed that is healthy, sturdy and suitable to the farming condition of Thailand. CPF Group produces parent stocks of chicken broiler, chicken layer, and swine as well as broiler chick, layer chick, layer, duck and piglet. The process starts with imported grandparent stocks from abroad. Then CPF Group breeds and raises the animals for own use and sales to independent livestock farmers and agents/distributors. For live animal, fresh eggs, and processed livestock meat, the products are distributed to end consumers through agents/distributors. The products are also distributed and sold to wholesalers, retailers and company-owned food processing plants and other processing plants in Thailand. In addition, CPF Group promotes chicken broiler and swine farming by providing animal breed, animal feed, animal drugs, and farming techniques and know-how to farmers who have passed the screening process. Last, main products under aquatic farming are shrimp fry, fish fry and, fresh shrimp etc.

Food Business

CPF Group adds value to its basic processed meat with additional process of boiling, steaming, frying, baking or grilling depending on customer's requirements. Products are then packed and deep frozen and distributed to retailers and wholesalers, fast food operators and modern trade, e.g., convenience stores, supermarkets and supercenters. The products are also distributed to company-owned distribution channels such as Five Star Chicken Kiosk and CP Fresh Mart. And for exports, the products are distributed through importers in respective market.

Overseas Operations

As at 30 September 2011, CPF Group overseas businesses are operated through these subsidiaries.

- 1) Integrated chicken business in Turkey
- 2) Aquatic business in China
- 3) Livestock and aquaculture business in India
- 4) Aquaculture business in Malaysia
- 5) Chilled production plant in England
- 6) Livestock business in Russia
- 7) Livestock business in Laos
- 8) Aquaculture business in the Philippines
- 9) Livestock business in Taiwan

Revenues distribution by domestic operation and export operation during the period of year 2008 to 9 months ended 30 September 2011 are as follow:

(Unit: percentage)

	2010			2009			2008		
	Livestock	Aqua	Total	Livestock	Aqua	Total	Livestock	Aqua	Total
Thailand Operations									
Feed	15	10	25	16	12	28	20	11	31
Farm	24	7	31	27	7	34	27	7	34
Food	14	4	18	15	4	19	16	4	20
Total Thailand operations	53	21	74	58	23	81	63	22	85
Overseas Operations	19	7	26	13	6	19	10	5	15
Total	72	28	100	71	29	100	73	27	100

(Unit: percentage)

	9M2011			9M2010		
	Livestock	Aqua	Total	Livestock	Aqua	Total
Thailand Operations						
Feed	15	10	25	15	11	26
Farm	25	6	31	25	7	32
Food	14	4	18	12	3	15
Total Thailand operations	54	20	74	52	21	73
Overseas Operations	20	6	26	20	7	27
Total	74	26	100	72	28	100

Source: CPF

3.2 Board of Director

As at 16 March 2011, CPF has 15 Directors:

Name	Surname	Position
1. Mr. Dhanin	Chearavanont	Chairman ¹⁾
2. Pol.Gen. Pow	Sarasin	Vice Chairman ²⁾
3. Mr. Prasert	Poongkumarn	Vice Chairman
4. Mr. Min	Tieanworn	Vice Chairman
5. Mr. Chingchai	Lohawatanakul	Vice Chairman ¹⁾
6. Mr. Arsa	Sarasin	Director ²⁾
7. Professor Dr. Athasit	Vejjajiva	Director ²⁾
8. Emeritus Professor Supapun	Ruttanaporn	Director ²⁾
9. Dr. Chaiyawat	Wibulswasdi	Director ²⁾
10. Mr. Phongthep	Chiaravanont	Director ¹⁾
11. Dr. Veeravat	Kanchanadul	Director ¹⁾
12. Mr. Adirek	Sripatak	Director ¹⁾
13. Mr. Pong	Visedpaitoon	Director ¹⁾
14. Mr. Sunthorn	Arunanondchai	Director ¹⁾
15. Mrs. Arunee	Watcharananan	Director ¹⁾

Remarks

- 1) From the list, Directors in the order of 1, 5, and 10 to 15 are authorized to act on behalf of CPF and engage in legal binding matter. To engage in such matter, two out of aforementioned authorized directors must sign a legal binding document with CPF company seal.
- 2) Independent Directors

3.3 Capital

As at 25 August 2011, CPF registered capital was THB 8,206,664,000 comprising 8,206,664,000 ordinary shares with a par value of THB 1. CPF paid-up capital was THB 7,519,937,826 comprising 7,519,937,826 ordinary shares with a par value of THB 1. Of which, Treasury Stock amounted to 471,000,000 shares representing 6.3% of issued shares.

As at 25 November 2011, the Board of Directors Meeting No. 13/2011 of the Company passed the following significant resolutions which are relevant to registered and paid-up capital;

- Agenda 1 Approved the reduction of the paid-up capital of the Company by canceling 471,000,000 outstanding treasury stocks that have not been sold after the expiration on 27 February 2012



- Agenda 3 Approved the reduction of the registered capital of the Company by THB 686,726,174, from THB 8,206,664,000 to THB 7,519,937,826, by canceling 686,726,174 authorized but unissued shares, with a par value of THB 1 each.
- Agenda 4 Approved the increase of the registered capital of the Company by THB 694,004,106, from THB 7,519,937,826 to THB 8,213,941,932 , by issuing 694,004,106 new ordinary shares, with a par value of 1 baht each.

3.4 Shareholding structure

	Number of Shares Held ¹	Shareholding (%) ¹
CPG Group		
Charoen Pokphand Group	1,886,365,835	26.8%
Charoen Pokphand Holding	889,525,460	12.6%
Bangkok Agro-Industrial Products	145,684,000	2.1%
Bangkok Produce Merchandising	82,885,000	1.2%
Bangkok Food Products	69,110,720	1.0%
Charoen Pokphand Industry	31,140,880	0.4%
Plenty Type Limited	64,000,000	0.9%
Star Marketing Company Limited (STAR) ²	1,200,000	0.0%
Total - CPG Group	3,169,911,895	45.0%
UBS AG London Branch	288,490,080	4.1%
HSBC (Singapore) Nominees Pte Ltd.	137,395,356	1.9%
Ms. Walaiporn Jiraphumin	128,100,000	1.8%
State Street Bank and Trust Company	109,275,580	1.6%
Mr. Prin Tieworn	95,400,000	1.4%
Social Security Office	90,827,900	1.3%
Raffles Nominees (Pte) Limited	73,011,461	1.0%
Other shareholders	2,956,525,554	41.9%
Total	7,048,937,826	100.0%

Remarks:

1) As of 25 August 2011 (Excluded Treasury stocks)

2) In September, STAR, wholly-owned subsidiary of CPG, acquired 1,200,000 CPF shares.

3.5 Dividend Policy

Total dividend paid each year shall be approximately 50% of net income after income tax and statutory reserve (based on the separate financial statements). Nonetheless, the amount of dividend payments is subject to change depending on the Company's operating performance, financial position, future projects, and overall economic conditions.

3.6 Summary of CPF financial performance and financial position from year 2008 to 9M11

(THB million)	Unaudited		Audited		
	9M11	9M10	FY2010	FY2009	FY2008
Revenue	153,420	141,767	189,049	165,063	156,238
Cost of goods sold	(126,643)	(117,662)	(156,351)	(135,871)	(135,738)
Gross profit	26,777	24,105	32,698	29,192	20,500
Selling and distribution costs	(5,278)	(4,758)	(9,898)	(7,897)	(7,993)
General and administrative expenses	(7,909)	(7,052)	(10,025)	(9,661)	(8,497)
Key management personnel compensations	(423)	(536)	(709)	(584)	(509)
Other income	1,807	1,991	3,493	2,236	1,548
<i>Interest income</i>	<i>157</i>	<i>90</i>	<i>113</i>	<i>57</i>	<i>80</i>
<i>Dividend income</i>	<i>32</i>	<i>31</i>	<i>34</i>	<i>13</i>	<i>20</i>
<i>Net foreign exchange gain/(loss)</i>	<i>13</i>	<i>773</i>	<i>1,009</i>	<i>190</i>	<i>373</i>
<i>Negative goodwill arising from business combination</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>453</i>	<i>0</i>
<i>Gain on sales of investment</i>	<i>861</i>	<i>209</i>	<i>962</i>	<i>0</i>	<i>0</i>
<i>Other income</i>	<i>744</i>	<i>888</i>	<i>1,375</i>	<i>1,523</i>	<i>1,075</i>
Share of profits of associates	2,976	1,872	2,511	1,591	1,162
Profit before interest and tax	17,950	15,622	18,070	14,878	6,211
Finance costs	(1,730)	(1,347)	(1,824)	(1,949)	(2,769)
Profit before tax	16,219	14,275	16,247	12,929	3,442
Income tax	(2,708)	(2,568)	(2,388)	(2,539)	(218)
Profit	13,511	11,708	13,859	10,390	3,224
Other comprehensive income:					
Revaluation differences on assets	(4)	0	N/A	N/A	N/A
Equity in associates	(7)	(524)	N/A	N/A	N/A
Fair value changes on investments	(281)	432	N/A	N/A	N/A
Currency translation differences	(463)	(1,170)	N/A	N/A	N/A
Income tax income/(expense)	77	121	N/A	N/A	N/A
Other comprehensive income	(677)	(1,140)	N/A	N/A	N/A



(THB million)	Unaudited	Audited		
	30/9/2011	31/12/2010	31/12/2009	31/12/2008
Current assets				
Cash and cash equivalents	8,704	7,761	10,523	3,453
Accounts receivable – trade and others	15,392	15,385	14,361	14,115
Current portion of long-term receivable from related company for sale of investment	0	0	257	269
Inventories	34,454	33,863	26,284	27,888
Advance payments for purchase of goods	240	458	578	69
Prepaid expenses	591	430	431	291
Other current assets	1,847	1,074	1,002	1,175
Total current assets	61,227	58,971	53,434	47,260
Non-current assets				
Available-for-sale investments	1,327	1,374	0	0
Investment in an associate	22,334	14,601	10,556	9,099
Investments in related companies	1,320	844	1,178	1,007
Investments in other companies	0	0	212	162
Land held for future projects	0	0	1,121	1,128
Long-term receivable form related company for sale of investment	0	0	0	269
Investment properties	910	893	0	0
Property, plant and equipment	49,629	47,142	46,422	44,706
Intangible assets	878	872	884	885
Restricted deposits at financial institutions	94	160	302	343
Deferred tax assets	1,868	700	1,109	2,281
Other non-current assets	548	534	480	370
Total non-current assets	78,910	67,121	62,264	60,250
Total assets	140,137	126,092	115,698	107,510



Total comprehensive income	Unaudited	Audited		
	30/9/2011	31/12/2010	31/12/2009	31/12/2008
Current liabilities				
Overdrafts and short-term borrowings from financial institutions	12,238	10,051	9,745	20,962
Notes payable	0	0	0	2,673
Accounts payable – trade and others	10,052	9,707	9,106	7,607
Current portion of long-term debts	1,983	8,088	6,294	5,483
Accrued expenses	1,946	1,873	1,707	1,170
Income tax payable	1,555	1,203	848	299
Deferred gain on sale of investment	0	0	399	0
Other current-liabilities	3,730	1,904	1,937	1,716
Total current liabilities	31,503	32,827	30,036	39,909
Non-current liabilities				
Long-term debts	37,701	28,511	26,758	18,365
Provision and others	66	64	1,045	596
Deferred tax liabilities	2,633	2,602	2,880	2,690
Deferred gain on sale of investment	0	0	0	399
Employee benefit obligations	4,646	1,145	0	0
Total non-current liabilities	45,045	32,322	30,683	22,050
Total liabilities	76,548	65,149	60,719	61,959
Equity				
Issued and paid-up share capital	7,520	7,520	7,520	7,520
Treasury shares	(2,855)	(2,855)	(2,855)	(2,117)
Share premium	16,436	16,436	16,436	16,436
Retained earnings:				
Legal reserve	821	821	821	821
Treasury shares reserve	1,629	1,629	1,629	1,396
Unappropriated	38,147	34,582	26,764	19,092
Other components of equity	(942)	(277)	1,569	1,905
	60,755	57,856	51,885	45,053
Non-controlling interests	2,834	3,088	3,095	498
Total equity	63,589	60,944	54,979	45,551
Total liabilities and equity	140,137	126,092	115,698	107,510

(THB million)	Unaudited		Audited		
	9M11	9M10	FY2010	FY2009	FY2008
Net cash (outflow)/inflow from					
operating activities	15,569	9,601	9,581	22,340	6,449
Net cash (outflow)/inflow from					
investing activities	(11,017)	(5,835)	(7,995)	(4,917)	(4,816)
Net cash (outflow)/inflow from					
financing activities	(3,611)	(7,009)	(4,399)	(10,143)	(1,277)
(Decrease)/Increase in cash and cash					
equivalents	941	(3,242)	(2,812)	7,280	356
Cash and cash equivalents at beginning	7,755	10,516	10,516	3,390	2,906
Effect of exchange rate changes, net	(5)	(121)	51	(154)	128
Cash and cash equivalents at ending	8,691	7,153	7,755	10,516	3,390

	Unaudited		Audited		
	9M11	9M10	FY2010	FY2009	FY2008
Profitability					
Gross profit margin	17.5%	17.0%	17.3%	17.7%	13.1%
Profit before interest and tax margin	11.3%	10.7%	9.3%	8.8%	3.9%
Net profit margin	8.5%	7.9%	7.0%	6.0%	2.0%
Return on equity	24.9%	24.2%	23.4%	20.3%	7.0%
Liquidity					
Current ratio (times)	1.9	1.4	1.8	1.8	1.2
Collection period (days)	27	28	29	32	33
Inventory period (days)	14	13	12	14	15
Payment period (days)	21	21	22	22	21
Cash cycle (days)	20	20	20	24	27
Leverage					
Net debt to equity (times)	1.1	0.9	0.9	0.9	1.3
Debt to equity (times)	1.2	1.1	1.1	1.1	1.4
Interest coverage (times)	9.0	7.4	5.4	12.0	2.7

Analysis of Operating Performance and Financial Position

Operating performance

Revenue structure of CPF for the year ended of 31 December 2008 – 2010 and the first 9 months of 2010 – 2011

	2010		2009		2008	
	MB	%	MB	%	MB	%
Thailand operations						
<u>Livestock business</u>						
Feed	28,406	15	26,987	16	30,559	20
Farm	46,618	24	43,712	27	41,771	26
- Domestic	46,230	24	43,396	27	41,608	26
- Export	388	0	316	0	163	0
Foods	25,628	13	24,804	15	25,682	16
- Domestic	11,272	6	9,539	6	9,198	6
- Export	14,356	7	15,265	9	16,484	10
Sales from livestock business	100,652	52	95,503	58	98,012	62
<u>Aquatic business</u>						
Feed	19,541	10	19,001	11	16,920	11
Farm	12,476	7	11,853	7	11,173	7
- Domestic	7,399	4	8,532	5	7,853	5
- Export	5,077	3	3,321	2	3,320	2
Foods	6,723	3	6,643	4	5,875	4
- Domestic	475	0	415	0	360	0
- Export	6,248	3	6,228	4	5,515	4
Sales from aquatic business	38,740	20	37,497	22	33,968	22
Sales from Thailand operations	139,392	72	133,000	80	131,980	84
Overseas operations						
Livestock business	36,944	19	21,508	13	16,045	10
Aquatic business	12,713	7	10,555	6	8,213	5
Sales from overseas operations	49,657	26	32,063	19	24,258	15
Total sales	189,049	98	165,063	99	156,238	99
Other income	3,493	2	2,237	1	1,547	1
Total revenues	192,542	100	167,300	100	157,785	100

	9M11		9M10	
	MB	%	MB	%
Thailand operations				
<u>Livestock business</u>				
Feed	23,656	15%	21,106	15%
Farm	39,158	25%	35,203	24%
- Domestic	38,823	25%	34,947	24%
- Export	335	0%	256	0%
Foods	20,871	13%	18,215	13%
- Domestic	11,010	7%	7,881	5%
- Export	9,861	6%	10,334	7%
Sales from livestock business	83,685	54%	74,524	52%
<u>Aquatic business</u>		0%		0%
Feed	15,094	10%	15,069	10%
Farm	9,384	6%	9,655	7%
- Domestic	5,241	3%	5,884	4%
- Export	4,143	3%	3,771	3%
Foods	5,730	4%	4,775	3%
- Domestic	349	0%	356	0%
- Export	5,381	3%	4,419	3%
Sales from aquatic business	30,208	19%	29,499	21%
Sales from Thailand operations	113,893	73%	104,023	72%
Overseas operations		0%		0%
Livestock business	30,216	19%	27,734	19%
Aquatic business	9,311	6%	10,010	7%
Sales from overseas operations	39,527	25%	37,744	26%
Total sales	153,420	99%	141,767	99%
Other income	1807	1%	1991	1%
Total revenue	155,227	100%	143,758	100%

In 2008 – 2010, CPF Group had sales from livestock business in Thailand of THB 98,012 million, THB 95,503 million, and THB 100,652 million, respectively. Sales increased 5.4% in 2010 due to the increase of sales from livestock feed and farm products. In 2008 – 2010, sales from livestock business accounted for 62%, 58% and 52% of total revenues, respectively. However, such proportion has been continuously declined but still remained the main steam of income. CPF Group also had sales from aquatic business in Thailand of THB 33,968 million, THB 37,497 million, and THB 38,740 million in 2008 – 2010, respectively representing a 10.4% growth in 2009 and 3.3% growth in 2010. This was mainly due an increase of aquatic feed and foods sales in 2009 and an increase of export sales in 2010 regarding the better improvement of aquatic business of Thailand.

For 9 months of 2010 – 2011, CPF Group had sales from livestock business in Thailand of THB 74,524 million and THB 83,685 million, respectively representing 12.3% growth. Such sales accounted for 52% and 54% of total revenues, respectively. Moreover, CPF Group also had sales from aquatic business in Thailand of THB 29,499 million and THB 30,208 million at the first 9 months of 2010 – 2011, respectively.

In 2008 – 2010, CPF Group had sales from overseas operations of THB 24,258 million, THB 32,063 million, and THB 49,657 million, respectively. Sales increased 32.2% in 2009 and 54.9% in 2010. This was primarily from the sales contributed from a subsidiary in Taiwan which was acquired in 3rd quarter of 2009, the increase in sales from livestock operations of subsidiaries in Turkey and India and the increase in sales from aquatic operations of subsidiaries in Malaysia and China. For 9 months of 2010 – 2011, CPF Group had sales from overseas operations of THB 37,744 million and THB 39,527 million, respectively representing 4.7% growth.

In 2008 – 2010, CPF Group had cost of goods sold of THB 135,738 million, THB 135,871 million, and THB 156,351 million, respectively representing gross profit margin of 13.1%, 17.7%, and 17.3%, respectively. For the first 9 months of 2010 – 2011, CPF Group had cost of goods sold of THB 117,662 million, and THB 126,643 million, respectively representing flat gross profit margin of 17.0% and 17.5%, respectively. Since 2009, the gross profit margin has been improved at the level of 17.0 – 17.7% as the prices of meat are back to normal stage and CPF Group continuously focuses on production improvement.

In 2008 – 2010, CPF Group had selling, general and administrative expenses and key management personnel compensations (SG&A) of THB 16,998 million, THB 18,142 million, and THB 20,632 million, respectively representing a constant SG&A to total revenues of 10.7%, 10.7%, and 10.6%, respectively. For the first 9 months of 2010 – 2011, CPF Group had SG&A of THB 12,346 million, and THB 13,611 million, respectively representing a SG&A to total revenues of 8.5%, and 8.6%, respectively.

In 2008 – 2010, CPF Group had net profit of THB 3,224 million, THB 10,390 million, and THB 13,859 million, respectively. Net profit margins were 2.0%, 6.0%, and 7.0%, respectively. For the first 9 months of 2010 – 2011, net profits of CPF Group were THB 11,708 million, THB 13,511 million, respectively representing a net profit margin of 7.9%, and 8.5%, respectively.

Financial status

As of 31 December 2008 – 2010 and 30 September 2011, CPF Group had total assets of THB 107,510 million, THB 115,698 million, THB 126,092 million, and THB 140,137 million, respectively. The main composition of assets were cash and cash equivalents, accounts receivable, inventories, investment in an associate, and property, plant and equipment. The total assets increased 7.6 – 9.0% per annum and tend to increase continuously mainly due to business expansion.

As of 31 December 2008 – 2010 and 30 September 2011, CPF Group had total liabilities of THB 61,959 million, THB 60,719 million, THB 65,149 million, and THB 76,548 million, respectively. The main compositions of liabilities were interest bearing debt and account payable. These were accounted for 84.6%, 85.5%, 86.5%, and 81.0% of total liabilities, respectively. As of 30 September 2011, CPF Group's overdrafts and short-term borrowings from financial institutions and current portion of long-term debts were THB 12,238 million, and THB 1,983 million, respectively.

As of 31 December 2008 – 2010 and 30 September 2011, CPF Group had total equity of THB 45,551 million, THB 54,979 million, THB 60,944 million, and THB 63,589 million, respectively. The increase in shareholders' equity of CPF Group was mainly due to the continuously increase in incomes from operation.

Liquidity

As of 31 December 2008 – 2010 and 30 September 2011, CPF Group had a stable current ratio at 1.2 times, 1.8 times, 1.8 times, and 1.9 times, respectively. The liquidity level remained strong. CPF Group also had cash cycle of 27days, 24 days, 19 days, and 20 days, respectively.

As of 31 December 2008 – 2010 and 30 September 2011, CPF Group had constant debt to equity ratio at 1.4 times, 1.1 times, 1.1 times, and 1.2 times, respectively and had net debt to equity ratio at 1.3 times, 0.9 times, 0.9 times, and 1.1 times, respectively (lower than the indicated 2.0 times net debt to equity ratio which CPF has to remain under the specified terms in the Term and Condition of debt issuers and representatives for all outstanding debentures). In addition, CPF Group had interest coverage at 2.7 times, 12.0 times, 5.4 times, and 9.0 times, respectively. These ratios were improved continuously regarding the better operating performance and an ability to fund expansion.

3.7 Industry outlook – CPF Group

3.7.1 Broiler

In 2010, Thailand raised its production to 945.9 million birds representing 3.1% growth. The increase reflected higher demand following a global economic recovery since the end of 2009. Chicken meat consumption was 879,070 tonnes in 2010 representing 0.12% growth. The increase resulted from the higher chicken meat prices. Owing to projected population increase and export growth, CPF Group expected that Thailand will increase production to 962.4 million birds in 2011. Also, consumption is expected to increase by 0.25% to 881,270 tonnes in 2011. Domestic consumption accounted for 68.0% of total production.

After the Bird Flu epidemic in 2004, Thailand has gradually increased its export of processed chicken; the export volume of chicken meat was continuously increased. In 2010, processed chicken accounted

for 94% of total export resulted from the successful JTEPA agreement between Thailand and Japan to lower import duties for Thai processed chicken from 5.5% to 5.0% and the quota granted by the EU to Thailand for 160,033 tonnes at an import duty of 8%. Major export destinations of Thailand are the EU 49%, Japan 46%, and others 5%.

Since exports to the EU have almost reached the quota, CPF Group expected that the export of chicken meat and chicken products will slightly increase by 4.9% to 438,000 tonnes, with total value of THB 53,670 million. The top two export destinations will still be the EU 48% and Japan 46%. The remaining 6% will include Singapore, South Korea, Canada and Vietnam.

Production, Consumption and Export of Thai Broilers and products in 2009 –2011

Year	Production ^{3/} (Million birds)	Production (Tonnes)	Consumption (Tonnes)	Export (Tonnes)		
				Fresh chicken	Processed chicken	Total
2009	917.26	1,257,365	878,014	25,227	354,124	379,351
2010 ^{1/}	954.86	1,296,570	879,070	27,500	390,000	417,500
2011 ^{2/}	962.42	1,319,270	881,270	28,000	410,000	438,000

Source: Office of Agricultural Economics and Thai Customs Department, CPF

^{1/} Preliminary data

^{2/} Estimated data

^{3/} Conversion rate has been adjusted from 2 kilograms/chicken to 2.18 kilograms/chicken since 2009.

3.7.2 Eggs

In 2010, Thailand's egg production was 9,757 million eggs representing 1.5% growth and the productivity increased from 290 eggs/chicken/year to 292 eggs/chicken/year. The Center for Agricultural Information, Office of Agricultural Economics, has projected that the total output will rise by 1.3% to 9,885 million eggs in 2011, based on an exemption to allow imports of layer chicken breeders both at parent stock (PS) and grand parent stock (GP) layers in 2010 and partially in 2009. The exemption has been granted by the Egg Board to alleviate the shortage of layer breeders to an appropriate level. The actual import of parent stock in 2010 was around 60,000 – 100,000 breeders compared to the planned program of 405,721 breeders. This will impact the overall production volume in 12–13 months after the actual import or around late 2011.

In 2010, domestic consumption accounted for 96% of production and demand for eggs was 9,600.3 million eggs representing 3.6% growth. Thailand's consumption rate was 142 eggs/person/year in 2010. The Company expected that the consumption demand for 2011 will be very close to the actual volume of 2010.

Thailand exports two types of products, fresh eggs and egg products which include mixed pasteurized eggs, pasteurized egg yolk, mixed powdered eggs and powdered albumen. Export of fresh eggs fluctuates from year to year, depending on productivity. Thailand exports eggs to relieve the oversupply of egg production in the domestic market to maintain local strategic pricing. About 70–80% of total exports of fresh eggs go to Hong Kong. In 2010, the total exports dropped to 156.7 million eggs with a total value of THB 406.5 million. The decrease was mainly due to a shortage of eggs supply in domestic market.

The export volume of processed egg products rose from 2,844.4 tonnes with a total value of THB 304.3 million in 2009 to 3,403.2 tonnes with a total value of THB 283.7 million in 2010. The Company expected that Thailand is likely to increase its export volume in 2011, especially around later 2011, to maintain its export market position, locate additional markets for any oversupply and stabilize domestic prices.

3.7.3 Swine

The global swine production rose by 1.0% to 101.5 million tonnes in 2010. The increase came from Russia, China and Brazil. World pork consumption slightly rose by 0.8% to 101.1 million tonnes in 2010. Major consumers were China, the EU, the United States, Russia and Japan, respectively.

Since the major producers will be able to increase their swine output, the Company expected that the global production will increase by 1.9% to 103.4 million tonnes in 2011. As well as, the world pork consumption is expected to increase by 2.0% to 103.1 million tonnes due to the fact that major consumers will consume more pork regarding higher swine production and continuous economic recovery.

Thailand's exports of pork and processed pork account for only 1% of the total output of pork due to strict control by all countries after the highly contagious Foot and Mouth Disease (FMD) became an issue. The Company expected that the 2011 export volume of pork will likely remain flat due to increased competition from Chinese and the stronger value of the THB versus RMB when compared to USD. However, processed pork exports will continue to rise.

3.7.4 Shrimp

As major producers encountered with weather fluctuations and the spread of Infection Myonecrosis virus (IMN), the survivor rate of cultured shrimp was lower. The global output, therefore, dropped at 7.1% to 2.0 million tonnes in 2010.

In 2010, the global exports of shrimp and products was 1.9 million tonnes with a value of USD 14.0 million in 2010 or equivalent to 4.7% decrease in volume and 3.7% increase in value. This reflects the lower global output and continual higher demand due to economic recovery in major consuming countries, including the United States and Japan. The world market price was at a high level, resulting in the higher value of global

exports. Thailand was the world's largest exporter of shrimp and products, with a market share of 23.0% of total global exports. Other major exporters were China, Ecuador and India, with market shares of 15.1%, 10.2% and 9.4%, respectively.

Thailand's sea shrimp production in the last five years (2006 – 2010) grew by 2.6% per annum. 88% Productions were from shrimp farming, and the remaining was from natural catch. The total 2010 cultured shrimp output was 510,000 tonnes representing 10.0% drop. The drop was due to controlling supply by shrimp farmers to avoid a price collapse. On top of that there were some problems with farming and fishing shrimp, including weather fluctuations, contagious but controllable diseases in some areas, which reduced the survival rate of shrimp. Heavy floods in late 2010 forced farmers to retrieve their shrimp before losing them all, which resulted in substandard sizes and weights.

4. The reasonableness to enter into the transaction

4.1 The reasonableness of the transaction

To enter the transaction will enhance the opportunities for CPF Group to get into a full stream of agriculture business in China and Vietnam. CPF Group estimates that after the transaction is completed, CPF Group will be:

- the largest listed livestock and aquaculture company in Asia-Pacific (by both market capitalization and by revenue);
- a leading producer of animal feed in the world (by volume);
- a leading fully integrated agricultural and aquaculture company with strong focus in emerging markets in Asia, with presence in 12 countries.

4.2 Advantages and disadvantages of entering into the transaction

4.2.1 Advantages

Enter into a high potential market

CPF Group would gain a control in a leading feed producer in China and fully-integrated agriculture business in Vietnam; this would give an opportunity for CPF Group to get into a high potential market without starting from green field. To have an exposure in China and Vietnam, their large population bases with the highest meat consumption rates in Asia should benefit CPF Group.

Revenue diversification

The geographical diversification in terms of revenue would reduce the risk when economy downturn occurs in a combined specific country. Sales from overseas operation would be increased from 26% (CPF Group at present) to 51% (as if CPF + CPP + CPV) in 2010, details are as shown below.

Strengths

CPF Group and CPP could leverage on their strengths in order to enhance their operational efficiency. CPP's strengths are production and distribution network covering major provinces in China and Vietnam and ability to penetrate into high potential markets. On the other hand, CPF Group is strong in sourcing raw material, technology, and research and development. Thus, the combined efficiency can be improved by having expertise and experienced human resources of these two companies.

Cost and expenses synergies

CPF Group would have more bargaining power in raw material sourcing and resources sharing between these two companies, which would achieve economies of scale resulting in cost and expenses synergies in the long run.

Increase in revenue and net profit

CPF's consolidated revenue and net profit will be increased as CPP's revenue and net profit would be consolidated upon completion of the contemplated transaction. CPF's consolidated sales would be increased from THB189,049 million (CPF Group at present) to THB 280,458 million (as if CPF + CPP + CPV) in 2010, representing 48.4% growth. Details are as follow:

By operation

Financial statement, FY2010	CPF Group at present		As if CPF Group + CPP + CPV	
	US\$ mn.	%	US\$ mn.	%
Sales from Thailand operation				
– Domestic	113,323	61	113,323	40
– Export	26,069	13	26,069	9
Sales from Thailand operation	139,392	74	139,392	50
Sales from overseas operation	49,657	26	140,066	50
Total Sales	189,049	100	280,458	100

Source : Consolidated financial statements of CPF and financial statements and roadshow presentation of CPP

Remark : Foreign exchange rate is based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the Bank of Thailand (“BOT”) at THB30.5:USD 1

By product

Financial statement, FY2010	CPF Group at present		As if CPF Group + CPP + CPV	
	US\$ mn.	%	US\$ mn.	%
Sales from feeds	74,107	39	148,131	53
Sales from farms	80,522	43	93,149	33
Sales from foods	34,420	18	35,793	13
Sales from CTC	-	-	3,386	1
Total Sales	189,049	100	280,458	100

Source : Consolidated financial statements of CPF and financial statements and roadshow presentation of CPP

Remark : Foreign exchange rate is based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the Bank of Thailand (“BOT”) at THB30.5:USD 1

4.2.2 Disadvantages

Earnings per share and control dilution of existing shareholders

For the payment of the transaction, CPF Group would pay Sellers partially by issuing CPF shares which would dilute earnings per share and control of existing shareholders of 9.0% (in case that CPP’s financial performance and numbers of the Company’s treasury stock are excluded from the calculation). There is no price dilution since the offering share price is THB30.0 per share which is less than THB30.1, the weighted average trading price of 15 days prior to 25 November 2011.

Additional debt financing obligation

Buyers would have to obtain a debt financing for its partial payment for the acquisition of CPP, therefore, interest expense is expected to increase as a result and it will affect the Debt to Equity ratio of CPF Group. As at the issued date of this report, Buyers have not entered into any contracts for debt financing; hence, IFA can not express our opinion regarding the affect to shareholders’ right.

Under recasted financial position of the entire group post transaction, debt to equity ratio (D/E) will increase from 1.1 times to 1.5 times. However, such D/E ratio is still lower than Loan Covenant requirement (net debt to equity ratio⁵ must not be more than 2.0 times as indicated in terms of bond).

⁵ Net debt is total liabilities minus cash and cash equivalent then add back guaranteed to individuals and other entities excluding (1) guaranteed to subsidiaries and vice versa and (2) deferred tax liabilities

Proforma statement of financial position of CPF as of 30 June 2011	unit	Pre transaction ¹	Post transaction ²
Total liabilities	US\$ mn.	72,655	143,650
Total equities	US\$ mn.	63,531	97,436
D/E	Times	1.1	1.5

Source – ¹ Consolidated financial statement of the Company as of 30 June 2011

² The compilation of the Pro Forma Statement of Financial Position as of 30 June 2011 is reviewed by KPMG Phoomchai Audit Ltd. Dated 25 November 2011

³ The following are the adjusted items in the above recasted financial position: 1) CPP Share purchase, 2) cancellation of treasury stocks which have not yet been re-sold to the public, 3) estimated expenses related to CPP share purchase transaction, 4) cancellation of investment in CPV (only the amount held by the company's subsidiaries) and cancellation of revenues from increase in value of the aforementioned investment, and 5) Goodwill which arise as a result of the total amount of CPP Share purchase being higher than CPP net assets

4.3 Advantages and disadvantages of not entering into the transaction

4.3.1 Advantages of not entering into the transaction

No control and earnings per share dilution

The Company does not have to issue new shares; therefore, there is no dilution in terms of control and earnings per share attributable to the existing shareholders.

No additional debt financing obligation

Buyers do not have to obtain more loans; therefore, CPF Group's net profit would not be affected from increase in interest expense.

More investment opportunities in other business

CPF Group would still have more opportunity to invest in other company with similar business to CPP. However, to get into China and Vietnam would not be that easy since CPG, a major shareholder, may not allow or give a support to CPF to invest in other company and to compete with CPP.

4.3.2 Disadvantages of not entering into the transaction

Opportunity loss to enter into China and Vietnam

CPF Group would still seek for an opportunity to gain more exposure in these two high potential markets. CPF Group would need a certain time to set up strategy to aggressively get into the market, set up production facilities, strengthen relationship with dealers, plan marketing tools for advertising and promotion, establish brand image, and penetrate into target group. If starting from green field, CPF Group would not be

able to catch up with the market which would negatively affect CPF Group's performance and competitiveness as a result.

No Economies of Scale

An increase of bargaining of power could not be obtained which could negatively affect CPF Group's performance in the long run.

4.4 Advantages and disadvantages comparison of entering into the transaction between connected person and the third party

Since CPG is the major shareholder of both CPF and CPP, a chance for CPF Group to invest in other company with similar business and size to CPP is very minimal. CPF Group has not received any investment offer from other third parties, therefore, this investment opportunity can not be compared. This investment opportunity is the best of what CPF Group has so far.

4.5 Risk

Risk from feed business

- The fluctuation of raw material price could affect CPP's performance; however, raw material can be altered in order to use substitute products without having lower product quality. Moreover, there is also a cost-plus policy to end users if raw material price increase.
- Availability of raw material which is also fluctuated due to whether change and natural disaster; however, CPP has many suppliers from both domestic and overseas and also secures a large amount of stock to prevent supply shortage situation.
- If there is a decrease in specific meat consumption, there would be an effect in specific feed production. However, CPP has a wide range of feed products covering both livestock and aquatic animal with high quality product.

Risk from farm and food businesses

- Price fluctuation is determined by supply and demand. If there is an oversupply situation, selling price might and affect the profitability of CPP.
- Disease outbreak is also an important issue for consumer. It could have a negatively impact to overall meat consumption.

Other risks

- Foreign exchange rate fluctuation could affect raw material price since Vietnam has imported its raw material, approximately 40-50% imported in 2010.

▪ Economic downturn in China and Vietnam would negatively affect the overall consumption and CPP's profitability; however, CPP has policies to ensure that cost and expense are efficiently managed in order to take care of unexpectedly situation.

CPP guaranteed short-term loan on behalf of OSIL. OSIL will repay all damages and expenses related to the guarantee to CPP. The guarantee results from the group restructuring approved by CPP's Shareholders' Meeting on 25 January 2011. The guarantee commitments decreased significantly from its beginning amount on the last day of restructuring on 28 February 2010 amounting US\$ 42,146,226⁶ (RMB268,050,000) to RMB US\$ 6,154,000 on 30 June 2011.

5. Reasonableness of price and conditions of the transaction

The share prices were determined by using the weighted average price of 180 days prior to 27 September 2011 which are THB 29.47 per CPF share and HKD 0.88 per CPP share. The value of CPP shares is derived from the value of CPP and CPV with reference to recent market price of its shares. In addition, the Company also considered historical price-to-book value ratio, historical price-to-earning ratio and historical EV/EBITDA ratio of CPP.

5.1 The valuation of acquired business

5.1.1 The valuation of CPP

5.1.1.1 Book Value Approach or BV

This valuation methodology is to use book value of consolidated financial statement of CPP 6 months ended 30 June 2011 audited by Ernst & Young. Since the investment in Vietnam was completed on 29 July 2011; therefore, consolidated financial statement of CPP 6 months ended 30 June 2011 was not incorporated in Vietnam's financial performance.

Total shareholders' equity	536,802	USD'000
Total paid-up shares (fully-diluted)	25,332.9	Million shares
Book value per share	0.02119	USD
or equivalent to book value per share	0.6	THB

Remark: Exchange rate of THB:USD is THB 30.5, based on the foreign exchange rate of 15 days as of 4 November 2011 stated by the BOT.

CPP price from book value approach is THB 0.6 per share.

⁶ Based on average foreign exchange rate of 15 days as of 4 November 2011 stated by www.exchange-rates.org at RMB 6.36 : USD1.

5.1.1.2 Adjusted Book Value Approach or ABV

This valuation methodology is to use adjusted book value of CPP's consolidated financial statement ended June 30, 2011.

Items	Value (USD'000)	Observation of IFA
Property, Building and Equipment	276,534	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>
Investment Property	7,921	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>
Advance receipt of rent	18,924	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>
Accounts Receivable – Related Parties	141,680	<p>The amount stands for loan to OSIL which is a related party. The outstanding amount results from the restructuring in 2009. However, OSIL will receive unissued convertible preference shares of CPP amounting 3,300,540,621 shares, only when CPP has already received fully repayment of this loan.</p> <p>The value of the loan has significantly decreased from its beginning amount on the last day of restructuring on 28 February 2010 amounting USD 288,249,000 to USD 141,680,000 on 30 June 2011.</p> <p>Nothing has caused IFA to believe that CPP will not receive the full repayment of this loan.</p> <p><u>Thus, there is no adjustment for this item.</u></p>
Available-for-Sale Investment	975	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>



Items	Value (USD'000)	Observation of IFA
Inventories	275,505	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Trade Accounts Receivables, Other Receivables and deposits	128,170	<p>Outstanding item that age over 360 days amounting USD 158,000 of which CPP has already set provision of USD 93,000. CPP management regularly reviews the outstanding amount.</p> <p>Nothing has caused IFA to believe that the provision is insufficient.</p> <p><u>Thus, there is no adjustment for this item.</u></p>
Account Receivable – Minority Interest	117	<p>The amount stands for a loan to a major shareholder of a joint venture that CPP has a control. CPP Management believes that the outstanding amount will be fully repaid. Therefore, no provision is set.</p> <p>Nothing has caused IFA to believe that CPP will not receive the full repayment.</p> <p><u>Thus, there is no adjustment for this item.</u></p>



Items	Value (USD'000)	Observation of IFA
Accounts Receivable – Related Parties	8,448	<p>The amount is from a normal transaction of CPP that CPP management believes to receive full amount and, therefore, did not set the provision.</p> <p>Nothing has caused IFA to believe that CPP will not receive the repayment.</p> <p>Thus, there is no adjustment for this item.</p>
Guarantee Commitments	6,154	<p>CPP guaranteed short-term loan on behalf of OSIL. OSIL will repay all damages and expenses related to the guarantee to CPP. The guarantee results from the group restructuring approved by CPP's Shareholders' Meeting on 25 January 2011.</p> <p>The guarantee commitments decreased significantly from its beginning amount on the last day of restructuring on 28 February 2010 amounting US\$ 42,146,226⁷ (RMB268,050,000) to US\$ 6,154,000 on 30 June 2011</p> <p>Nothing has caused IFA to believe that the guarantee commitments will cause CPP damage. Thus, there is no adjustment for this item.</p>

IFA did not adjust any items from the book value, thus in this case, adjusted book value is equivalent to book value.

Total shareholders' equity	536,802	USD'000
Adjustment	-	
<hr/>		
Total shareholders' equity after adjusted	536,802	USD'000
<hr/>		
Total paid-up shares (fully-diluted)	25,332.9	Million shares
<hr/>		
Adjusted book value per share	0.02119	USD
or equivalent to adjusted book value per share	0.6	THB
<hr/>		

CPP price from adjusted book value approach is THB 0.6 per share.

⁷ Based on average foreign exchange rate of 15 days as of 4 November 2011 stated by www.exchange-rates.org at RMB 6.36 : USD1.

5.1.1.3 Market Price

This valuation methodology reflects the market mechanism of historical demand and supply determined by investors. IFA used the weighted average trading price of 30–180 trading days prior to 27 September 2011.

Historical Trading Day	Period	Weighted Average Trading Price/Share		Daily Turnover	Annualized Turnover
		HKD	THB		
30	16-Aug-11 - 26-Sep-11	0.8	3.1	0.02%	5.87%
60	5-Jul-11 - 26-Sep-11	0.8	3.3	0.05%	11.54%
90	24-May-11 - 26-Sep-11	0.8	3.2	0.06%	13.91%
120	12-Apr-11 - 26-Sep-11	0.8	3.3	0.05%	12.49%
180	18-Jan-11 - 26-Sep-11	0.9	3.6	0.06%	14.65%
	Average	0.8	3.3	0.05%	11.69%
	Min	0.8	3.1		
	Max	0.9	3.6		

Source: Bloomberg

During 30–180 trading days, the daily turnover was 0.05% of total paid-up shares or equivalent to 11.7% turnover per year. If looking at non-CPG Group which currently collectively holds 28.0%, the said turnover was fairly liquid.

CPP price from market price approach is THB 3.1–3.6 per share.

5.1.1.4 Market Comparable Approach

This valuation methodology is to use market comparable of listed companies that have similar businesses to CPP including:

- Price to Book Value Ratio or P/BV;
- Price to Earnings Ratio or P/E; and
- Enterprise Value to Earnings Before Interest, Tax and Depreciation/Amortization Expense or EV/EBITDA

Listed companies that have similar businesses (feed business) in China, collectively called comparable companies, are:

1. Sichuan New Hope Agribusiness Company Limited (000876)
2. Beijing Dabeinong Technology Group Company Limited (002385)
3. Guangdong Haid Group Company Limited (002311)
4. Henan Chuying Agro-Pastoral Company Limited (002477)

5. Tongwei Company Limited (600438)
6. Xinjiang Tiankang Animal Science Bio-Technology Company Limited (002100)
7. Shanghai Dajiang (Group) Stock Company Limited (900919)

Price to Book Value Ratio or P/BV

This valuation is to use CPP's book value per share as of 30 June 2011 at USD 0.021 or THB 0.6 (please see more details in 5.1.1.1) multiplied by weighted average P/BV ratio of 7 comparable companies by market capitalization using the historical data of 30-180 days from 27 September 2011.

Historical Trading day	P/BV (Times)							WA	CPP	Implied Value	
	000876	002385	002311	002477	600438	002100	900919	P/BV (Times)	BVS (USD)	(USD/Share)	(THB/Share)
30	3.8	4.7	4.7	4.9	4.0	3.5	8.7	4.3	0.021	0.1	2.8
60	3.8	4.7	4.6	5.0	4.0	3.5	9.0	4.4	0.021	0.1	2.8
90	3.8	4.5	4.4	5.0	4.0	3.5	9.1	4.3	0.021	0.1	2.8
120	3.8	4.5	4.2	4.9	4.2	3.7	9.3	4.3	0.021	0.1	2.7
180	4.0	4.6	4.1	4.7	4.4	3.9	9.4	4.3	0.021	0.1	2.8

Source: Bloomberg

CPP price from P/BV is THB2.7-2.8 per share.

Price to Earnings Ratio or P/E

This valuation is to use CPP's the past 12 months earning per share as of 30 June 2011 at USD 0.006 or THB 0.2 multiplied by weighted average P/E of 7 comparable companies by market capitalization using the historical data of 30-180 days prior to 27 September 2011.

Historical Trading day	P/E (Times)							WA	CPP	Implied Value	
	000876	002385	002311	002477	600438	002100	900919	P/E (Times)	EPS (USD)	(USD/Share)	(THB/Share)
30	20.4	43.8	49.0	54.2	36.0	33.9		38.0	0.006	0.2	6.7
60	20.6	44.0	48.3	55.3	35.9	33.6		38.1	0.006	0.2	6.7
90	21.7	42.4	45.9	54.4	36.7	32.9		37.5	0.006	0.2	6.6
120	22.2	42.2	44.5	52.9	38.4	34.2		37.4	0.006	0.2	6.6
180	24.4	43.5	42.8	50.6	39.5	36.9		38.0	0.006	0.2	6.7

Note – 900919 has abnormally high P/E ratio of more than 100.0 times, thus is excluded from the calculation.

Source: Bloomberg

CPP price from P/E is THB 6.6-6.7 per share.

Enterprise Value to Earnings Before Interest, Tax and Depreciation/Amortization Expense or EV/EBITDA

This valuation is to use CPP's EBITDA as of 30 June 2011 multiplied by weighted average EV/EBITDA of 7 comparable companies by market capitalization using the historical data of 30–180 days prior to 27 September 2011 then subtracted by interest bearing debt of USD 0.01 per share.

Historical Trading day	EV/EBITDA (Times)							WA	CPP	Implied Value	
	000876	002385	002311	002477	600438	002100	900919	EV/EBITDA (Times)	EBITDA (USD)	(USD/Share)	(THB/Share)
30		30.6	30.3	46.6				34.6	0.009	0.3	9.2
60		30.8	29.9	47.6				34.7	0.009	0.3	9.2
90		29.5	28.3	46.8				33.5	0.009	0.3	8.9
120		29.3	27.4	45.3				32.8	0.009	0.3	8.7
180		30.3	26.3	43.2				32.3	0.009	0.3	8.6

Note – 000876, 600438, 002100 and 900919 were excluded since they have negative EBITDA.

Source: Bloomberg

CPP price from EV/EBITDA is THB 8.6–9.2 per share.

5.1.1.5 Discounted Cash Flow

This valuation methodology is to discount the future cash flows that could be generated by CPP on the going concern basis during 2011 – 2021.

Since CPP's main business operations are in both China and Vietnam, therefore, the independent financial advisor assessed the value of these two business operations, CPP and CPV, separately and combined back to derive an aggregate value of CPP.

In addition, please note that there is an ongoing related party transaction between MS and CPV in which CPV pays Technical Assistant Services Fee of 1.5% of its net revenues from sales to MS. To account for the transaction in the projections, Technical Assistant Services Fee Revenues is recognized as part of other income in the projection of CPP financial performance, while the Technical Assistant Services Fee is incorporated in the projection of CPV's financial performance.

Key assumptions used in CPP's financial forecasts are listed below.

Item	Key Assumptions
Feed sales	Livestock and aquatic feed sales from 2H11 to 2021 are expected to grow by price increase of target inflation rate of China of 4.0% per annum
CTC sales	Export sales from 2H11 to 2021 are expected to grow by price increase by average 10-year real GDP growth of World at 3.9% per annum, assuming no quantity growth since CPP is a leader in the market with 60% of global market share.



Item	Key Assumptions
	Domestic sales from 2H11 to 2021 are expected to grow by price increase of target inflation rate of China of 4.0% per annum.
Investment income	CPP has currently no future acquisition plan. Rental income from 2H11 to 2021 is expected to grow by target inflation rate of China of 4.0% per annum
Cost of goods sold	Refer to historical data during 2010-1H11 at 84.0% of total sales
Selling, general and administrative expenses (SG&A)	Increase by target inflation rate of China of 4.0% per annum
Interest income	Refers to historical interest income received
Technical Assistant Services Fee Revenue	1.5% of CPV's revenues
Profit sharing from associate	Increase by Nominal GDP of China at 15.0% per annum
Dividend received from jointly-controlled entities	Refer to historical dividend received in 2010 at 62.8% per annum
Financial cost	Refer to LIBOR + 2.8% as stated on the financial statement ending 31 December 2010. LIBOR rate as at 26 September 2011 at 0.8% (Source: Bloomberg)
Corporate tax	Refers to CPP's effective tax rate of 19% and increases gradually to 25.0% normal corporate income tax by 2013
Minimum cash balance	Refers to 3-month working capital needed
Collection period	Refers to historical data during 2010-1H11 at 19 days
Inventory period	Refers to historical data during 2010-1H11 at 51 days
Payment period	Refers to historical data during 2010-1H11 at 56 days
Capital expenditure	Refers to CPP investment plan of USD 60 million per annum to maintain its facilities; its utilization rate is currently running at 50%. The capital expenditure is expected to increase at China's target inflation rate of 4.0%.
Depreciation and amortization expense	Refers to depreciation and amortization policy stated in 2010 annual report: <ul style="list-style-type: none"> ▪ Office building 50 years ▪ Factory and facilities 50 years ▪ Machinery and equipment 17 years ▪ Office equipment 10 years ▪ Means of transportation 10 years
Terminal Growth Rate	Refers to average 10-year inflation rate of China at 2.3%

Discount rate employed in calculation the present value of future free cash flows is based on the weighted average cost of capital or WACC as detailed below.

Item	Key Assumptions
Ke	Cost of Equity is 9.9% of which the derivation is listed below. $K_e = R_f + \beta (R_m - R_f)$ Whereby Rf = Risk free rate as at 26 September 2011 at 1.2% (Source: Bloomberg) β = Historical 5-year average beta (weekly basis) as at 26 September 2011 at 0.6 (Source: Bloomberg) Rm = Market return as at 26 September 2011 at 15.7% (Source: Bloomberg)
Kd	Cost of Debt is 3.7% refer to LIBOR + 2.825% as stated on the financial statement ending 31 December 2010. LIBOR rate as at 26 September 2011 at 0.848% (Source: Bloomberg)
E	USD 2,089 million: a market capitalization during 180 days prior 9 November 2010 which was the day before significant price movement from possible investment in Vietnam news
D	USD 288 million: interest-bearing debt as at 30 June 2011
V	Sum of E and D
T	As tax privileges have definite expiration date, 25% tax rate is then employed to reflect long-term tax rate
WACC	WACC is calculated at 9.1%

Corporate value assessed by DCF approach based on key assumptions used in projecting expected free cash flow and 9.1% WACC is as follows.

CPP's Expected Free Cash Flow during 2011-2021

(Unit: US\$ mn)	4Q11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Taxable EBIT	49	214	228	243	261	281	305	289	377	407	442
- Tax	(10)	(48)	(57)	(61)	(65)	(70)	(76)	(72)	(94)	(102)	(111)
+ Depreciation	8	30	33	36	38	41	42	86	29	32	36
- Increase in net working capital	(2)	(6)	(7)	(7)	(7)	(7)	(8)	(8)	(8)	(9)	(9)
- CAPEX	(15)	(59)	(61)	(64)	(66)	(69)	(72)	(75)	(78)	(81)	(84)
- Share of profits and losses from jointly controlled entities and an associate	(8)	(37)	(42)	(48)	(56)	(64)	(73)	(84)	(97)	(111)	(128)
+ Dividend received from jointly controlled entities and an associate	4	19	22	25	29	33	38	43	50	57	66
FCF	27	113	115	124	133	144	155	179	178	194	213



PV – FCF	947
PV – Terminal	1,333
+ Cash	156
+ Due from non-controlling shareholders and related company	150
+ Available for sale investment	1
+ Pledged deposit	32
+ Deferred tax assets	1
+ Cash from converting securities	31
Enterprise Value	2,652
- Income tax payable	(11)
- Deferred tax liabilities	(3)
- Due to non-controlling shareholders and related company	(13)
- Debt	(288)
Equity Value	2,337
Number of shares (mn shares)	25,333
Price per share (US\$)	0.09
Price per share (THB)	2.8

CPP value assessed by DCF approach is THB 2.8 per share. By sensitizing WACC of +1% and -1%, CPP value is in the range of THB 2.4-3.3 per share as detailed below.

WACC	% Change	Value per Share
8.1%	(1.0)	3.3
9.1%	nil	2.8
10.1%	1.0	2.4

5.1.2 Valuation Assessment – CPP Business in Vietnam

5.1.2.1 Book Value Approach or BV

This valuation approach is based on the Accountants' Report of MS Group as at 30 June 2011.

Total equity	207,133	USD '000
Total paid-up shares of CPP (fully-diluted)	25,332.9	Million shares
CPP's book value per share in USD	0.0082	USD
CPP's book value per share in THB	0.3	THB

Remark Refer to foreign exchange rate of THB 30.5, based on average foreign exchange rate of 15 days as of 4 November 2011 stated by the BOT.

Assessed value of MS Group using BV approach is THB 0.3 per CPP share.

5.1.2.2 Adjusted Book Value Approach or ABV

This valuation methodology is to use adjusted book value of MS Group as at 30 June 2011.

Items	Value (USD'000)	Observation of IFA
Property, Building and Equipment	158,824	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Land lease repayment	6,602	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Intangible assets	1,806	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Current livestock	163,263	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Accounts Receivable	70,673	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Inventories	308,410	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>

IFA did not adjust book value in this case; hence, the adjusted book value is equal to book value.

Total shareholders' equity	207,133	USD '000
Adjustment	-	USD '000
	207,133	USD '000
Total shareholders' equity after adjusted		
Total paid-up shares of CPP (fully-diluted)	25,332.9	Million shares
CPP's book value per share in USD	0.0082	USD
CPP's book value per share in THB	0.3	THB

Assessed value of MS Group using ABV approach is THB 0.3 per CPP share.

5.1.2.3 Market Price Approach

Since MS Group is not a listed company so there is no market price for reference.

5.1.2.4 Market Comparable Approach

Market Comparable approach assesses corporate value using multiples of those listed companies with similar nature of business to MS Group's businesses. Multiples employed include P/BV, P/E and EV/EBITDA.

Those companies listed in the secondary market with the like nature of business operated in the Public of China (PRC) (Feed, farm, and foods business) (collectively referred to "Peers") are:

1. Fujian Sunner Development Co., Ltd. (002299)
2. Jiangxi Zhengbang Technology Co., Ltd. (002157)
3. Shandong Yisheng Livestock and Poultry Breeding Co., Ltd. (002458)
4. Henan Chuying Agro-Pastoral Co., Ltd. (002477)
5. Tangrenshen Group Co., Ltd. (002567)
6. Shandong Minhe Animal Husbandry Co., Ltd. (002234)
7. Shanghai Dajiang (Group) Stock Co., Ltd. (900919)
8. Charoen Pokphand Foods Plc. (the Company)

Price to Book Value Ratio or P/BV

Corporate valuation of this approach is derived by multiplying MS Group's book value as at 30 June 2011 by the weighted average P/BV ratio by market capitalization of its peers. The said average P/BV ratio is the average of 8 P/BV ratios during the 30-180 trading days prior to 27 September 2011 as shown in the table below. The result is then converted to per-CPP-share basis for comparative purpose.

Historical Trading day	P/BV (Times)								WA	MS	Implied Value	
	002299	002157	002458	002477	002567	002234	900919	CPF	P/BV (Times)	BVS (USD)	(USD/Share)	(THB/Share)
30	7.8	5.1	4.5	4.9	4.9	5.4	8.7	3.3	4.5	0.008	0.04	1.1
60	7.8	5.1	4.2	5.0	5.1	5.3	9.0	3.3	4.5	0.008	0.04	1.1
90	7.7	4.9	4.0	5.0	5.1	4.9	9.1	3.3	4.5	0.008	0.04	1.1
120	7.8	4.7	4.0	4.9	5.1	4.7	9.3	3.3	4.4	0.008	0.04	1.1
180	8.0	4.5	4.1	4.7	5.2	4.3	9.4	3.2	4.4	0.008	0.04	1.1

Source: Bloomberg

MS Group value using P/BV approach is THB 1.1 per CPP share.

Price to Earnings Ratio or P/E

Corporate valuation of this approach is derived by multiplying MS Group's 12-month net profit ended 30 June 2011 by the weighted average P/E ratio by market capitalization of its peers. The said average P/E ratio is the average of 8 P/E ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below. The result is then converted to per-CPP-share basis for comparative purpose.

Historical Trading day	P/E (Times)								WA P/E	MS EPS	Implied Value	
	002299	002157	002458	002477	002567	002234	900919	CPF	(Times)	(USD)	(USD/Share)	(THB/Share)
30	50.2	58.7	71.7	54.2	35.6	75.6		13.7	33.0	0.004	0.12	3.7
60	50.2	58.2	68.0	55.3	36.9	73.7		13.8	32.8	0.004	0.12	3.7
90	49.4	61.2	63.9	54.4	36.8	68.6		13.9	32.4	0.004	0.12	3.7
120	49.7	61.3	63.6	52.9	36.9	65.6		13.9	32.2	0.004	0.12	3.7
180	51.0	62.2	65.7	50.6	37.3	60.7		13.1	31.7	0.004	0.12	3.6

Remark: 900919 has abnormally high P/E ratio of more than 100.0 times, thus is excluded from the calculation.

Source: Bloomberg

MS Group value using P/E approach is ranged THB 3.6–3.7 per CPP share.

Enterprise Value to Earnings Before Interest, Tax and Depreciation/Amortization Expense or EV/EBITDA

This valuation is to use MS Group's 12-month EBITDA ended 30 June 2011 multiplied by weighted average EV/EBITDA by market capitalization of 8 comparable companies using the historical data of 30–180 days prior to 27 September 2011 then subtracted by interest bearing debt of USD 0.01 per share.

Historical Trading day	EV/EBITDA (Times)								WA EV/EBITDA	MS EBITDA	Implied Value	
	002299	002157	002458	002477	002567	002234	900919	CPF	(Times)	(USD)	(USD/Share)	(THB/Share)
30	35.5		17.6	46.6		32.3		15.6	23.5	0.009	0.19	5.7
60	35.5		16.6	47.6		31.5		15.6	23.5	0.009	0.19	5.7
90	34.7		15.6	46.8		29.5		15.8	23.2	0.009	0.19	5.7
120	34.1		15.5	45.3		28.3		15.9	23.0	0.009	0.18	5.6
180	34.1		16.1	43.2		26.4		15.0	22.1	0.009	0.18	5.4

Note – 002157, 002567, 900919 were excluded since they have negative EBITDA.

Source: Bloomberg

MS Group value using EV/EBITDA approach is ranged THB 5.4–5.7 per CPP share.

5.1.2.5 Discounted Cash Flow or DCF

Key assumptions used in CPV's financial forecasts are listed below.

Item	Key Assumptions
Feed sales	Livestock and aquatic feed sales from 2H11 to 2021 are expected to grow by both volume and price increase. <ul style="list-style-type: none"> ▪ Volume grows by average 10-year real GDP growth of Vietnam at 7.3% per annum. ▪ Price increases by average 10-year inflation rate of Vietnam at 8.4% per annum.
Farm sales	Livestock and aquatic farm sales from 2H11 to 2021 are expected to grow by both volume and price increase. <ul style="list-style-type: none"> ▪ Volume grows by average 10-year real GDP growth of Vietnam at 7.3% per annum. ▪ Price increases by average 10-year inflation rate of Vietnam at 8.4% per annum.
Food sales	Food sales from 2H11 to 2021 are expected to grow by both volume and price increase. <ul style="list-style-type: none"> ▪ Volume grows by average 10-year real GDP growth of Vietnam at 7.3% per annum. ▪ Price increases by average 10-year inflation rate of Vietnam at 8.4% per annum.
Cost of goods sold	<ul style="list-style-type: none"> ▪ Livestock cost of goods sold refers to historical data during 2008-1H11 at 82.4% of livestock sales. ▪ Aquatic cost of goods sold refers to historical data during 2008-1H11 at 91.1% of aquatic sales.
Selling, general and administrative expenses (SG&A)	Increases by average 10-year inflation rate of Vietnam at 8.4% per annum
Interest income	Refers to historical interest income received
Financial cost	Refers to expected interest rate at 10.6%
Corporate tax	Refers to CPP's effective tax rate of 17.1% and increases gradually to 25.0% normal corporate income tax by 2015
Minimum cash balance	Refers to 3-month working capital needed
Collection period	Refers to historical data during 2008-1H11 at 17 days
Inventory period	Refers to historical data of 1H11 at 134 days (2010 data has not been used due to accounting reclassification)



Item	Key Assumptions
Payment period	Refers to historical data during 2008–1H11 at 27 days
Provision of severance allowance	Grows at 6.8% which is proportionate to SG&A growth rate
Capital expenditure	Refers to CPV investment plan of USD 100 million per annum during the next 3 years, and maintenance CAPEX of around 10.0% of property, plant and equipment costs thereafter
Depreciation and amortization expense	Refers to depreciation and amortization policy stated in 2010 annual report: <ul style="list-style-type: none"> ▪ Intangible assets 20 years ▪ Building and structures 15 years ▪ Machinery and equipment 10 years ▪ Office equipment 5 years ▪ Means of transportation 9 years
Terminal growth rate	Although Vietnam is currently facing high inflation rate, we are of the view that as the Vietnam's economy continue to develop and progress, its economy will become more similar to that of Thailand. In other words, Vietnam will eventually be able to control inflation, bringing greater price stability. Therefore, for Terminal growth rate, we refers to average 10–year inflation rate of Thailand at 2.6%

Discount rate employed in calculation the present value of future free cash flows is based on the weighted average cost of capital or WACC as detailed below.

Item	Key Assumptions
Ke	Cost of equity is 13.5% of which the derivation is listed below. $K_e = R_f + \beta_r (R_m - R_f)$ Whereby Rf = Risk free rate as at 26 September 2011 at 1.9% (Source: Bloomberg) βu = Unlevered beta at 1.0 βr = Relevered beta at 1.2 Rm = Market return as at 26 September 2011 at 11.2% (Source: Bloomberg)
Kd	Cost of debt refers to expected interest rate of 10.6%
E	VND 31,865 billion: refers to CPP's market capitalization during 180–trading day prior to and after 9 November 2010 assuming that the difference of these two market capitalizations fairly reflects CPP's Vietnamese business value
D	VND 7,697 billion: Interest-bearing debt as at 30 June 2011
V	Sum of E and D

Item	Key Assumptions
T	As tax privileges have definite expiration date, 25.0% tax rate is then employed to reflect long-term tax rate
WACC	WACC is calculated at 12.0%

Corporate value assessed by DCF approach based on key assumptions used in projecting expected free cash flow and 12.0% WACC is as follows.

CPV's Expected Free Cash Flow during 2011-2021

(Unit: VND Billion)	4Q 11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Taxable EBIT	668	3,487	4,001	4,645	5,566	6,646	7,948	9,481	11,283	13,392	15,889
- Tax	(114)	(665)	(843)	(1,072)	(1,391)	(1,661)	(1,987)	(2,370)	(2,821)	(3,348)	(3,972)
+ Depreciation	61	409	635	861	971	1,090	1,192	1,305	1,429	1,576	1,717
- Increase in net working capital	(324)	(1,178)	(1,616)	(1,880)	(2,186)	(2,543)	(2,957)	(3,439)	(4,000)	(4,652)	(5,410)
- CAPEX	(112)	(2,405)	(2,405)	(2,405)	(1,181)	(1,280)	(1,388)	(1,505)	(1,632)	(1,769)	(1,918)
FCF	179	(352)	(228)	150	1,779	2,252	2,808	3,472	4,260	5,199	6,305

PV - FCF	10,547
PV - Terminal	21,778
+ Cash	514
+ Deferred tax assets	34
Enterprise Value	32,873
- Debt	(7,697)
Equity Value (100%)	25,176
Equity Value (70.82%)	17,830
Number of CPP shares (mn shares)	25,333
Price per CPP share (VND)	704
Price per CPP share (THB)	1.1

CPV value assessed by DCF approach in proportionate to shareholding held by CPP is THB 1.1 per CPP share. By sensitizing WACC of +1% and -1%, CPV value is in the range of THB 0.9-1.3 per CPP share as detailed below.

WACC	% Change	CPV Value per CPP Share
11.0%	(1.0)	1.3
12.0%	Nil	1.1
13.0%	1.0	0.9

5.1.3 Conclusion of CPP Value Assessment

Since CPP holds 70.8% interest in CPV, CPV value in proportionate to shareholding held by CPP shall be included in the assessment of CPP corporate value.

(Unit: THB)

Valuation Approach	CPP Value per Share (Excluding CPV Value)	CPV Value per CPP Share	CPP Value per Share (Including CPV Value)
1. BV	0.6	0.3	0.9
2. ABV	0.6	0.3	0.9
3. Market Price	3.1 – 3.6	N/A	3.1 – 3.6
4. Market Comparable			
4.1 P/BV	2.7 – 2.8	1.1	3.8 – 3.9
4.2 P/E	6.6 – 6.7	3.6 – 3.7	10.2 – 10.4
4.3 EV/EBITDA	8.6 – 9.2	5.4 – 5.7	14.0 – 14.9
5. DCF			
5.1 Base case scenario	2.8	1.1	3.9
5.2 Sensitivity analysis	2.4 – 3.3	0.9 – 1.3	3.3 – 4.6

Independent Financial Advisor's opinion on the appropriateness of each valuation approach is as follows.

1) BV and P/BV Approaches reflect corporate value as shown on the financial statement at a single point of time. They neither reflect the fair market value of asset nor take future performance into consideration. Hence, BV and P/BV deem inappropriate.

2) ABV Approach reflects fair market value of asset; however, it does not factor future performance into consideration. Hence, ABV deem inappropriate.

3) Market Price Approach reflects value according to market mechanism. Furthermore, CPP has fairly good trading liquidity. Though CPV is not a listed company and therefore has no reference value, the significant increase in CPP price after public disclosure of investment in CPV is believed to indirectly reflect CPV market capitalization. Hence, market price approach deem appropriate.

4) P/E and EV/EBITDA Approaches consider profit creation capability, but they are based on short-term profit and EBITDA without reflecting future performance. Hence, P/E and EBITDA deem inappropriate.

5) DCF Approach takes future performance into consideration including economic and overall industry trend. Hence, DCF deems appropriate.

We opine that the appropriate approaches in assessing CPP value are Market Price and DCF Approaches. Therefore, fair value of CPP ranges in THB 3.1–4.6 per share.

5.2 Valuation Assessment – CPF

Since CPF approximately holds 30% in CPALL and 29.2% in CPV which are considered as significant shareholding interest, corporate values of CPALL and CPV in proportionate to the said shareholding held by CPF shall be calculated separately and combined back to derive an aggregate value of CPF.

5.2.1 Business Assessment of CPF

5.2.1.1 Book Value Approach or BV

This valuation approach is based on the financial statement of CPF as at 30 September 2011 which was reviewed by KPMG Phoomchai Audit Ltd.

Total equity	60,755	THB mn
Total paid-up shares of CPF as at 25 August 2011 (Less treasury shares)	7,048.9	Mn shares
CPF's book value per share	8.6	THB

Assessed value of CPF using BV approach is THB 8.6 per share.

5.2.1.2 Adjusted Book Value Approach or ABV

This approach assesses corporate value by considering the consolidated financial statement as at 30 September 2011 as detailed below.

Item	Amount (THB mn)	IFA Opinion
Account receivables – trade and others	15,392	<p>Outstanding balance of the problem account – trade and others is THB 382 million which the Company has already set THB 382 million allowance for doubtful accounts.</p> <p>Nothing has come to our attention or causes us to believe that such allowance is insufficient. <u>Hence, no adjustment is needed.</u></p>

Item	Amount (THB mn)	IFA Opinion
Inventory	34,454	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Available-for-sale investments	1,327	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Investment in an associate	22,334	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Investment in related companies	1,320	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Investment properties	910	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>
Property, plant and equipment	49,629	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>

Adjustment of obligation guarantee has been made to CPF's book value as detailed below.

Total equity	60,755	THB mn
Adjustment of obligation guarantee	-	THB mn
<hr/>		
Total equity after adjustment	60,755	THB mn
<hr/>		
Total paid-up shares of CPF as at 25 August 2011 (Less treasury shares)	7,048.9	Mn shares
<hr/>		
CPF's adjusted book value per share	8.6	THB
<hr/>		

Assessed value of CPF using ABV approach is THB8.6 per share.

5.2.1.3 Market Price Approach

The independent financial advisor has considered the weighted average trading price of CPF share during 30–180 trading days prior to 27 September 2011 as detailed below.

Historical Trading		Weighted Average		
Day	Period	Trading Price/Share	Daily Turnover	Annualized Turnover
30	16/8/2011 – 26/9/2011	29.7	0.28%	66.13%
60	30/6/2011 – 26/9/2011	30.1	0.39%	92.94%
90	19/5/2011 – 26/9/2011	29.9	0.36%	86.18%
120	28/3/2011 – 26/9/2011	29.4	0.43%	103.74%
180	29/12/2010 – 26/9/2011	27.4	0.44%	105.60%
		Average	0.38%	90.92%
		Min	27.4	
		Max	30.1	

Source: Bloomberg

During the said 30–180 trading days, average daily turnover is 0.4% of total number of issued and paid-up shares, representing average annual turnover of 90.9% which is considered as having ample trading liquidity.

Corporate value of CPF using Market Price approach is in the range of THB 27.4–30.1 per share.

5.2.1.4 Market Comparable Approach

Market Comparable approach assesses corporate value using multiples of those listed companies with similar nature of business to CPF’s businesses. Multiples employed include P/BV, P/E and EV/EBITDA. Those companies listed in the SET with the like nature of business operated by CPF (food business)(collectively referred to “Peers”) are:

1. GFPT Public Company Limited (“GFPT”)
2. Thai Union Frozen Products Public Company Limited (“TUF”)
3. Seafresh Industry Public Company Limited (“CFRESH”)

Price to Book Value Ratio or P/BV

Corporate valuation of this approach is derived by multiplying CPF's book value excluding CPALL and CPV as at 30 September 2011 of THB5.9 (please see details in 5.2.1.1) by the weighted average P/BV ratio by market capitalization of its peers. The said average P/BV ratio is the average of three P/BV ratios during the previous 30–180 days from 27 September 2011 as shown in the table below.

Historical Trading day	P/BV (Times)			WA	CPF	Implied Value (THB/Share)
	GFPT	TUF	CFRESH	P/BV (Times)	BVS (THB)	
30	2.4	2.4	1.6	2.4	5.92	14.1
60	2.5	2.4	1.6	2.4	5.92	14.1
90	2.5	2.3	1.6	2.3	5.92	13.8
120	2.5	2.3	1.6	2.3	5.92	13.6
180	2.3	2.2	1.6	2.2	5.92	13.1

Source: Bloomberg

CPF value excluding CPALL and CPV using P/BV approach is THB13.1–14.1 per share.

Price to Earnings Ratio or P/E

Corporate valuation of this approach is derived by multiplying CPF's 12-month net profit excluding CPALL and CPV ended 30 September 2011 of THB1.8 per share by the weighted average P/E ratio by market capitalization of its peers. The said average P/E ratio is the average of three P/E ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below.

Historical Trading day	P/E (Times)			WA	CPF	Implied Value (THB/Share)
	GFPT	TUF	CFRESH	P/E (Times)	EPS (THB)	
30	10.5	16.6	22.8	15.7	1.75	27.5
60	11.0	16.5	22.9	15.7	1.75	27.6
90	11.4	16.2	21.0	15.5	1.75	27.2
120	11.4	16.1	20.1	15.4	1.75	27.0
180	10.6	15.6	18.6	14.8	1.75	25.9

Source: Bloomberg

CPF value excluding CPALL and CPV using P/E approach is ranged THB 25.9–27.6 per share.

Enterprise Value to Earnings Before Interest, Tax and Depreciation/Amortization Expense or EV/EBITDA

Corporate valuation of this approach is derived by multiplying CPF's 12-month EBITDA excluding CPALL and CPV ended 30 September 2011 by the weighted average EV/EBITDA ratio by market capitalization of its peers. The said average EV/EBITDA ratio is the average of three EV/EBITDA ratios during the previous 30-180 trading days prior to 27 September 2011 as shown in the table below. After deriving the multiplied result, it has to be adjusted by deducting interest-bearing debt of THB 7.4 per share.

Historical Trading day	EV/EBITDA (Times)			WA	CPF	Implied Value (THB/Share)
	GFPT	TUF	CFRESH	EV/EBITDA (Times)	EBITDA (THB)	
30	7.5	14.6	14.6	13.3	3.12	34.2
60	7.8	14.6	14.8	13.4	3.12	34.3
90	8.0	15.1	13.5	13.8	3.12	35.7
120	8.0	15.5	13.0	14.1	3.12	36.5
180	7.7	16.2	12.6	14.6	3.12	38.0

Source: Bloomberg

CPF value excluding CPALL and CPV using EV/EBITDA approach is ranged THB 34.2 – 38.0 per share.

5.2.1.5 Discounted Cash Flow

Key assumptions used in CPF's financial forecasts are listed below.

Item	Key Assumptions
Domestic operation Feed sales	Main products include livestock and aquatic feed sales. <ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year GDP of Thailand during 2001-2010 at 4.4% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year inflation rate of Thailand during 2001-2010 at 2.6% thereafter.



Item	Key Assumptions
Domestic operation Livestock farm sales	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year GDP of Thailand during 2001-2010 at 4.4% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year inflation rate of Thailand during 2001-2010 at 2.6% thereafter. ▪ Export volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year World GDP during 2001-2010 at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year World inflation rate during 2001-2010 at 3.9% thereafter.
Domestic operation Aquatic farm sales	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year GDP of Thailand at 4.4% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year inflation rate of Thailand at 2.6% thereafter. ▪ Export volume sales in Q411 is expected to be one-third of that in 9M11 and decrease at rates of 30%, 20%, and 10% during 2012-2014 according to corporate policy of reducing the export volume of frozen shrimp and increasing the export volume of shrimp food instead. Growth rate referred to the average 10-year World GDP at 3.6% shall be applied thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year World inflation rate at 3.9% thereafter.
Domestic operation Livestock food sales	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year GDP of Thailand at 4.4% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year inflation rate of Thailand at 2.6% thereafter. ▪ Export volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year World GDP during 2001-2010 at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year World inflation rate during 2001-2010 at 3.9% thereafter.



Item	Key Assumptions
<p>Domestic operation Aquatic food sales</p>	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be 75% of that in 9M11 and grows at declining rates of 15% and 7.5% during 2012–2013. Growth rate referred to the average 10–year GDP of Thailand at 4.4% shall be applied thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11, no growth during 2012–2014, and grows at average 10–year inflation rate of Thailand at 2.6% thereafter. ▪ Export volume sales in Q411 is expected to be 75% of that in 9M11 and grows at declining rates of 15%, and 10% during 2012–2013 due to the shift to increase shrimp food share. Growth rate referred to the average 10–year World GDP at 3.6% shall be applied thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11, no growth during 2012–2014, and grows at average 10–year World inflation rate at 3.9% thereafter.
<p>Overseas operation Feed sales</p>	<p>Main products include livestock and aquatic feed sales.</p> <ul style="list-style-type: none"> ▪ Livestock feed volume sales in Q411 is expected to be one–third of that in 9M11 and grows at average 10–year World GDP during 2001–2010 at 3.6% thereafter. ▪ Aquatic feed volume sales in Q411 is expected to be one–third of that in 9M11 and grows at average 10–year World GDP during 2001–2010 at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11, and grows at average 10–year World inflation rate at 3.9% thereafter.
<p>Overseas operation Livestock farm sales</p>	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one–third of that in 9M11 and grows at average 10–year World GDP at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10–year World inflation rate at 3.9% thereafter. ▪ Export volume sales in Q411 is expected to be one–third of that in 9M11 and grows at the average 10–year World GDP at 3.6% thereafter. ▪ Price in 2H11 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10–year World inflation rate at 3.9% thereafter.
<p>Overseas operation Aquatic farm sales</p>	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one–third of that in 9M11 and grows at average 10–year World GDP at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10–year World inflation rate at 3.9% thereafter. ▪ Export volume sales in Q411 is expected to be one–third of that in 9M11 and grows at the average 10–year World GDP at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10–year World inflation rate at 3.9% thereafter.



Item	Key Assumptions
Overseas operation Livestock food sales	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year World GDP at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year World inflation rate at 3.9% thereafter. ▪ Export volume sales in Q411 is expected to be one-third of that in 9M11 and grows at the average 10-year World GDP at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year World inflation rate at 3.9% thereafter.
Overseas operation Aquatic food sales	<ul style="list-style-type: none"> ▪ Volume sales in Q411 is expected to be one-third of that in 9M11 and grows at average 10-year World GDP at 3.6% thereafter. ▪ Price in 4Q11 is expected to be the average price in 2010 and 9M11 and grows at average 10-year World inflation rate at 3.9% thereafter.
Cost of goods sold	<p>Refers to the average of historical cost structure during 2009–9M11 as follows.</p> <ul style="list-style-type: none"> ▪ Domestic livestock costs of good sold at 81.7% of relevant sales ▪ Domestic aquatic costs of good sold at 78.7% of relevant sales ▪ Overseas livestock costs of good sold at 89.0% of relevant sales ▪ Overseas aquatic costs of good sold at 86.6% of relevant sales
Selling, general and administrative expenses (SG&A)	<p>Increases by average 10-year inflation rate of Thailand at 2.6% per annum, except the rental rate shall increase by 5.0% per annum</p>
Interest income	<p>Refers to the average saving rates of Bangkok Bank Plc., Kasikorn Bank Plc. and Siam Commercial Bank Plc. as at 14 November 2011 of 0.9% (Source: Bank of Thailand)</p>
Share of profits from associates	<p>Share of profits from CPALL and CPV are excluded from the forecast to avoid double counting. Share of profits from other associates in the projected period shall be equal to the annualized share of profits from other associates incurred in 9M11</p>
Financial cost	<p>Refers to effective interest rate at 4.8%</p>
Corporate tax	<p>Refers to CPF's average effective tax rate during 2009–9M11 of 20.0% and expects tax rate to gradually reach 25.0% tax rate without any tax privileges during the next 3 years</p>
Minimum cash balance	<p>Refers to 3-month working capital needed</p>
Collection period	<p>Refers to historical data during 2008–9M11 at 29 days</p>
Inventory period	<p>Refers to historical data during 2008–9M11 at 74 days</p>
Payment period	<p>Refers to historical data during 2008–9M11 at 23 days</p>
Capital expenditure	<ul style="list-style-type: none"> ▪ THB 2 billion in Q411 ▪ THB 12 billion in 2012 ▪ THB8 billion per annum with the application of 2.9% average inflation rate

Item	Key Assumptions
Depreciation and amortization expense	Refers to current depreciation and amortization policy
Terminal growth rate	Refers to weighted average 10-year inflation rate at 3.1% of <ul style="list-style-type: none"> ▪ Average 10-year inflation rate of Thailand at 2.6% in proportionate to domestic sales ▪ Average 10-year World inflation rate of 3.9% in proportionate to overseas sales

Discount rate employed in the calculation of present value of future free cash flows is based on the weighted average cost of capital or WACC as detailed below.

Item	Key Assumptions
Ke	Cost of Equity is 11.34% of which the derivation is listed below. $K_e = R_f + \beta (R_m - R_f)$ Whereby Rf = Risk free rate as at 26 September 2011 at 3.8% (Source: Bloomberg) β = Historical 5-year average beta (weekly basis) as at 26 September 2011 at 0.6 (Source: Bloomberg) Rm = Market return as at 26 September 2011 at 15.9% (Source: Bloomberg)
Kd	Cost of Debt is 4.8%
E	Market capitalization as at 26 September 2011 of THB 203,038 million
D	Interest-bearing debt as at 30 September 2011 of THB 51,922 million
V	Sum of E and D
T	As tax privileges have definite expiration date, 25% tax rate is then employed to reflect long-term tax rate
WACC	WACC is calculated at 9.8%

Corporate value assessed by DCF approach based on key assumptions used in projecting expected free cash flow and 9.8% WACC is as follows.

CPF's expected Free Cash Flow during 2011– 2021

(Unit: THB mn)	4Q 11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EBIT after tax	3,273	13,619	14,360	15,622	17,150	18,820	20,645	22,637	24,808	27,173	29,747
+ Depreciation	1,173	5,302	5,709	6,128	6,560	7,006	7,465	7,939	8,428	8,932	9,451
- Increase in net working capital	928	(3,077)	(2,936)	(3,109)	(3,510)	(3,767)	(4,043)	(4,339)	(4,657)	(4,999)	(5,365)
- CAPEX	(2,000)	(12,000)	(8,000)	(8,250)	(8,507)	(8,773)	(9,046)	(9,329)	(9,620)	(9,920)	(10,230)
FCF	3,375	3,844	9,133	10,390	11,692	13,286	15,021	16,908	18,959	21,186	23,604

PV - FCF	81,676
PV - Terminal	141,308
Cash	8,704
Enterprise Value	231,688
- Debt	(51,922)
Equity Value	179,766
Number of shares (mn shares)	7,049
Price per share (THB)	25.5

CPF value assessed by DCF approach is THB 25.5 per share. By sensitizing WACC of +1% and -1%, CPF value is in the range of THB 20.7 – 32.0 per share as detailed below.

WACC	% Change	CPF value per share
8.8%	(1.0)	32.0
9.8%	Nil	25.5
10.8%	1.0	20.7

5.2.2 Business Assessment of CPALL

5.2.2.1 Book Value Approach or BV

This valuation approach is unnecessary since book value of CPALL is already incorporated in the book value of CPF

5.2.2.2 Adjusted Book Value Approach or ABV

This valuation approach assesses corporate value by considering the consolidated financial statement as at 30 September 2011 as detailed below.

Item	Amount (THB mn)	IFA Opinion
Short-term investment	6,700	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>



Item	Amount (THB mn)	IFA Opinion
Account receivables	438	Outstanding balance which has an age of more than 12-month is THB 4 million, and CPALL has already set THB 17 million allowance for doubtful accounts Nothing has come to our attention or causes us to believe that such allowance is insufficient. <u>Hence, no adjustment is needed.</u>
Other account receivables	772	CPALL has already set THB 10 million allowance for doubtful accounts Nothing has come to our attention or causes us to believe that such allowance is insufficient. <u>Hence, no adjustment is needed.</u>
Inventory	6,520	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Investment in related companies	6	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Other long-term investment	1,744	Have not found any more up to date information than the one shown in the financial statement; <u>hence, no adjustment is needed.</u>
Property, plant and equipment	15,172	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>
Intangible assets	809	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>
Lease	305	Have not found any more up to date Appraisal Report conducted by an independent appraiser than the one shown in the financial statement. <u>Hence, no adjustment is needed.</u>

We have not made any adjustment to the book value; thus, there is also no adjustment in book value per share.

5.2.2.3 Market Price Approach

This valuation approach is unnecessary since we believe that a portion of the market value of CPALL owned by CPF has already been incorporated into the market value of CPF.

5.2.2.4 Market Comparable Approach

Market Comparable approach assesses corporate value using multiples of those listed companies with similar nature of business (retail business) to CPALL’s businesses. Multiples employed include P/BV, P/E and EV/EBITDA. Those companies listed in the SET with the like nature of business operated by CPALL (collectively referred to “Peers”) are:

1. Big C Supercenter Public Company Limited (“BIGC”)
2. Siam Makro Public Company Limited (“MAKRO”)

Price to Book Value Ratio or P/BV

Corporate valuation of this approach is derived by multiplying CPALL’s book value based on % holding by CPF as at 30 September 2011 by the weighted average P/BV ratio by market capitalization of its peers. The said average P/BV ratio is the average of 8 P/BV ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below. The result is then converted to per-CPF-share basis for comparative purpose.

Historical Trading day	P/BV (Times)		WA	CPALL	Implied Value (THB/Share)
	BIGC	MAKRO	P/BV (Times)	BVS (THB)	
30	5.0	6.0	5.4	0.84	4.5
60	4.7	5.8	5.1	0.84	4.3
90	4.3	5.4	4.7	0.84	4.0
120	4.1	5.1	4.5	0.84	3.8
180	3.8	4.6	4.1	0.84	3.4

Source: Bloomberg

CPALL value based on % holding by CPF using P/BV approach is THB 3.4 – 4.5 per CPF share.

Price to Earnings Ratio or P/E

Corporate valuation of this approach is derived by multiplying CPALL’s 12-month net profit based on % holding by CPF ended 30 September 2011 by the weighted average P/E ratio by market capitalization

of its peers. The said average P/E ratio is the average of 8 P/E ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below. The result is then converted to per-CPF-share basis for comparative purpose.

Historical Trading day	P/E (Times)		WA	CPALL	Implied Value (THB/Share)
	BIGC	MAKRO	P/E (Times)	EPS (THB)	
30	30.4	25.7	28.7	0.34	9.7
60	28.8	24.9	27.4	0.34	9.3
90	27.1	23.8	25.9	0.34	8.8
120	26.3	22.7	25.0	0.34	8.5
180	24.8	21.2	23.5	0.34	8.0

Source: Bloomberg

CPALL value based on % holding by CPF using P/E approach is ranged THB 8.0–9.7 per CPF share.

Enterprise Value to Earnings Before Interest, Tax and Depreciation/Amortization Expense or EV/EBITDA

Corporate valuation of this approach is derived by multiplying CPALL’s 12-month EBITDA based on % holding by CPF ended 30 September 2011 by the weighted average EV/EBITDA ratio by capitalization of its peers. The said average EV/EBITDA ratio is the average of 8 EV/EBITDA ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below. After deriving the multiplied result, it has to be adjusted by deducting interest-bearing debt of THB 0.0 per share. The result is then converted to per-CPF-share basis for comparative purpose.

Historical Trading day	EV/EBITDA (Times)		WA	CPALL	Implied Value (THB/Share)
	BIGC	MAKRO	EV/EBITDA (Times)	EBITDA (THB)	
30	14.5	14.4	14.5	0.81	11.7
60	14.0	13.9	13.9	0.81	11.3
90	13.3	13.1	13.2	0.81	10.7
120	13.0	12.3	12.7	0.81	10.3
180	11.2	11.1	11.2	0.81	9.0

Source: Bloomberg

CPALL value based on % holding by CPF using EV/EBITDA approach is ranged THB 9.0–11.7 per CPF share.

5.2.2.5 Discounted Cash Flow

Key assumptions used in CPALL's financial forecasts are listed below.

Item	Key Assumptions
Revenues	<p>Revenues is projected to grow as a result of an increase in number of stores, and an increase same store sales.</p> <ul style="list-style-type: none"> ▪ Number of stores is projected to grow at 450 stores per year in 2011, 400 stores per year from year 2012–2015, and 350 stores per year from year 2016–2021. The projection is based on historical data of 2009 –2010 and CPALL's goal in increasing its number of stores by 500 stores per year and has a total of 7,000 stores by the end of 2013. ▪ Average daily sales growth per store is based on historical data from 2009–3Q11 at 7.3% per year.
Cost of goods sold (“COGS”)	<ul style="list-style-type: none"> ▪ COGS as a percentage of revenues is projected to decrease by 0.20% from year 2011–2013. The projections are based on historical data from 2009–3Q11 and CPALL target in improving its gross profit margin by 0.20% per year as a result of an increase in sales contribution from food products which have higher margin, and as a result of quantity sales management.
Selling, general and administrative expenses (“SG&A”)	<p>Based on CPALL's presentation FY10, of total SG&A, around 92.0% is variable expenses while 8.0% is fixed</p> <ul style="list-style-type: none"> ▪ Variable portion of SG&A is projected to grow proportionately with revenues ▪ Fix portion of SG&A is projected to grow at the rate of inflation, 2.6%
Interest Income	<p>Refers to the average saving rates as at 26 September 2011 of Bangkok Bank Plc., Kasikorn Bank Plc., and Siam Commercial Bank Plc. The referred average saving rate is 0.9%. (Source: Bank of Thailand)</p>
Other income	<p>Based on historical other income as a percentage of revenues from 2009–3Q11 which is 4.3%</p>
Corporate tax	<p>30.0% according to the law</p>
Minimum cash balance	<p>Based on historical cash balance as a percentage of revenues from 2009 – 3Q11 which is 10.8%</p>
Cash cycle	<p>Based on historical cash cycle from 2009 – 3Q11 which is (50) days.</p>
CAPEX	<p>According to CPALL investment plan, in year 2011, CAPEX will amount to THB 4,500 million which comprises of investment in new stores, renovation of existing stores every 6 years, and other investments such as building a new distribution center and improving information technology.</p>
Depreciation and amortization expense	<p>Refers to current depreciation and amortization policy</p>
Terminal growth rate	<p>2.6%, a 10–year average inflation rate of Thailand</p>

Discount rate employed in the calculation of present value of future free cash flows is based on the weighted average cost of capital or WACC as detailed below.

Item	Key Assumptions
Ke	Cost of Equity is 12.4%, of which the derivation is listed below. $K_e = R_f + \beta (R_m - R_f)$ Whereby Rf = Risk free rate as at 26 September 2011 at 3.8% (Source: Bloomberg) β = Historical 5-year average beta (weekly basis) as at 26 September 2011 at 0.7 (Source: Bloomberg) Rm = Market return as at 26 September 2011 at 15.9% (Source: Bloomberg)
Kd	Cost of Debt is 8.0%
E	Market capitalization as at 26 September 2011 of THB 215,671 million
D	Interest-bearing debt as at 30 September 2011 of THB 48,000
V	Sum of E and D
T	Corporate tax rate of 30%
WACC	WACC is calculated at 12.4%

Corporate value assessed by DCF approach based on key assumptions used in projecting expected free cash flow and 12.4% WACC is as follows.

CPALL expected Free Cash Flow during 2011–2021

(Unit: THB mn)	4Q 11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EBIT after tax	1,718	9,442	11,269	13,015	14,952	17,038	19,280	21,753	24,479	27,482	30,788
+ Depreciation	840	3,842	4,221	3,076	3,230	3,585	4,118	4,645	4,844	4,346	4,552
- CAPEX	(1,266)	(4,773)	(4,549)	(4,669)	(4,791)	(4,712)	(5,271)	(5,359)	(5,499)	(5,644)	(5,791)
- Increase in net working capital	1,061	2,986	2,445	2,767	3,062	3,294	3,535	3,894	4,286	4,714	5,182
FCF	2,353	11,497	13,386	14,190	16,454	19,205	21,663	24,932	28,109	30,899	34,731

PV - FCF	105,322
PV - Terminal	109,592
Cash	21,558
Enterprise Value	236,472
- Debt	(0)
Equity Value (100%)	236,472
Equity Value (30%)	70,942
Number of CPF shares (mn shares)	7,049
Price per CPF share (THB)	10.1

CPALL value assessed by DCF approach is THB 10.1 per share. By sensitizing WACC of +1% and – 1%, CPALL value is in the range of THB 9.0 – 11.3 per share as detailed below.

WACC	% Change	CPALL value per share
11.4%	(1.0)	11.3
12.4%	Nil	10.1
13.4%	1.0	9.0

5.2.3 Value Assessment of CPF interest in CPV

5.2.3.1 Book Value Approach or BV

CPV’s corporate value assessment employing BV approach is not necessary as CPV’s BV has already been incorporated in CPF’s BV.

5.2.3.2 Adjusted Book Value Approach or ABV

The independent financial advisor has made no adjustment to CPV’s BV; hence, there is no additional adjustment to be made to CPF’s adjusted BV.

5.2.3.3 Market Price Approach

CPV’s corporate value assessment employing Market Price approach is not necessary as the independent financial advisor believes that CPV’s market capitalization has already been incorporated in CPF’s market capitalization

5.2.3.4 Market Comparable Approach

Market Comparable approach assesses corporate value using multiples of those listed companies with similar nature of business to CPV’s businesses. Multiples employed include P/BV, P/E and EV/EBITDA.

Those companies listed in the secondary market with the like nature of business (feed, farm, and foods businesses) operated in the Public of China (PRC) (collectively referred to “Peers”) are:

1. Fujian Sunner Development Co., Ltd. (002299)
2. Jiangxi Zhengbang Technology Co., Ltd. (002157)
3. Shandong Yisheng Livestock and Poultry Breeding Co., Ltd. (002458)
4. Henan Chuying Agro-Pastoral Co., Ltd. (002477)
5. Tangrenshen Group Co., Ltd. (002567)

6. Shandong Minhe Animal Husbandry Co., Ltd. (002234)
7. Shanghai Dajiang (Group) Stock Co., Ltd. (900919)
8. Charoen Pokphand Foods Plc. (the Company)

Price to Book Value Ratio or P/BV

Corporate valuation of this approach is derived by multiplying CPV's book value based on % holding by CPF as at 30 June 2011 by the weighted average P/BV ratio by market capitalization of its peers. The said average P/BV ratio is the average of 8 P/BV ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below. The result is then converted to per-CPF-share basis for comparative purpose.

Historical Trading day	P/BV (Times)								WA	CPV	Implied Value	
	002299	002157	002458	002477	002567	002234	900919	CPF	P/BV (Times)	BVS (VND)	(VND/Share)	(THB/Share)
30	7.8	5.1	4.5	4.9	4.9	5.4	8.7	3.3	4.5	177	804	1.2
60	7.8	5.1	4.2	5.0	5.1	5.3	9.0	3.3	4.5	177	805	1.2
90	7.7	4.9	4.0	5.0	5.1	4.9	9.1	3.3	4.5	177	793	1.2
120	7.8	4.7	4.0	4.9	5.1	4.7	9.3	3.3	4.4	177	788	1.2
180	8.0	4.5	4.1	4.7	5.2	4.3	9.4	3.2	4.4	177	773	1.2

Source: Bloomberg

CPV value based on % holding by CPF using P/BV approach is THB 1.2 per CPF share.

Price to Earnings Ratio or P/E

Corporate valuation of this approach is derived by multiplying CPV's 12-month net profit based on % holding by CPF ended 30 June 2011 by the weighted average P/E ratio by market capitalization of its peers. The said average P/E ratio is the average of 8 P/E ratios during the 30–180 trading days prior to 27 September 2011 as shown in the table below. The result is then converted to per-CPF-share basis for comparative purpose.

Historical Trading day	P/E (Times)								WA	CPV	Implied Value	
	002299	002157	002458	002477	002567	002234	900919	CPF	P/E (Times)	EPS (VND)	(VND/Share)	(THB/Share)
30	50.2	58.7	71.7	54.2	35.6	75.6		13.7	33.0	61	1,998	3.0
60	50.2	58.2	68.0	55.3	36.9	73.7		13.8	32.8	61	1,989	3.0
90	49.4	61.2	63.9	54.4	36.8	68.6		13.9	32.4	61	1,963	2.9
120	49.7	61.3	63.6	52.9	36.9	65.6		13.9	32.2	61	1,951	2.9
180	51.0	62.2	65.7	50.6	37.3	60.7		13.1	31.7	61	1,921	2.9

Remark: 900919 has abnormally high P/E ratio of more than 100.0 times, thus is excluded from the calculation.

Source: Bloomberg

CPV value based on % holding by CPF using P/E approach is ranged THB 2.9–3.0 per CPF share.

Enterprise Value to Earnings Before Interest, Tax and Depreciation/Amortization Expense or EV/EBITDA

This valuation is to use CPV's 12-month EBITDA ended 30 June 2011 multiplied by weighted average EV/EBITDA by market capitalization of 8 comparable companies using the historical data of 30–180 days prior to 27 September 2011 then subtracted by interest bearing debt of VND 1,069 per share.

Historical Trading day	EV/EBITDA (Times)							WA	CPV	Implied Value		
	002299	002157	002458	002477	002567	002234	900919	CPF	EV/EBITDA (Times)	EBITDA (VND)	(VND/Share)	(THB/Share)
30	35.5		17.6	46.6		32.3		15.6	23.5	420	8,791	13.1
60	35.5		16.6	47.6		31.5		15.6	23.5	420	8,808	13.2
90	34.7		15.6	46.8		29.5		15.8	23.2	420	8,683	13.0
120	34.1		15.5	45.3		28.3		15.9	23.0	420	8,575	12.8
180	34.1		16.1	43.2		26.4		15.0	22.1	420	8,211	12.3

Note – 002157, 002567, 900919 were excluded since they have negative EBITDA.

Source: Bloomberg

CPV value based on % holding by CPF using EV/EBITDA approach is ranged THB 12.3–13.2 per CPF share.

5.2.3.5 Discounted Cash Flow or DCF

Please refer to key assumptions used in projecting CPV's financial forecast in 5.1.2.5.

CPV's Expected Free Cash Flow during 2011–2021

(Unit: VND Billion)	4Q 11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Taxable EBIT	668	3,487	4,001	4,645	5,566	6,646	7,948	9,481	11,283	13,392	15,889
- Tax	(114)	(665)	(843)	(1,072)	(1,391)	(1,661)	(1,987)	(2,370)	(2,821)	(3,348)	(3,972)
+ Depreciation	61	409	635	861	971	1,090	1,192	1,305	1,429	1,576	1,717
- Increase in net working capital	(324)	(1,178)	(1,616)	(1,880)	(2,186)	(2,543)	(2,957)	(3,439)	(4,000)	(4,652)	(5,410)
- CAPEX	(112)	(2,405)	(2,405)	(2,405)	(1,181)	(1,280)	(1,388)	(1,505)	(1,632)	(1,769)	(1,918)
FCF	179	(352)	(228)	150	1,779	2,252	2,808	3,472	4,260	5,199	6,305



PV - FCF	10,547
PV - Terminal	21,778
+ Cash	514
+ Deferred tax assets	34
Enterprise Value	32,873
- Debt	(7,697)
Equity Value (100%)	25,176
Equity Value (29.18%)	7,346
Number of CPF shares (mn shares)	7,049
Price per CPF share (VND)	1,042
Price per CPF share (THB)	1.6

CPV value assessed by DCF approach in proportionate to shareholding held by CPF is THB 1.6 per CPF share. By sensitizing WACC of +1% and -1%, CPV value is in the range of THB 1.3 – 1.9 per CPF share as detailed below.

WACC	% Change	CPV Value per CPF Share
11.0%	(1.0)	1.9
12.0%	Nil	1.6
13.0%	1.0	1.3

5.2.4 Conclusion of CPF Value Assessment

Since CPF holds 30% interest in CPALL and 29.2% in CPV, CPALL and CPV values in proportionate to shareholding held by CPF shall be included in the assessment of CPF corporate value.

(Unit: THB)

Valuation Approach	CPF Value per Share (Excluding CPALL and CPV Values)	CPALL Value per CPF Share	CPV Value per CPF Share	CPF Value per Share (Including CPALL and CPV Values)
1. BV	8.6	N/A	N/A	8.6
2. ABV	8.6	N/A	N/A	8.6
3. Market Price	27.4 – 30.1	N/A	N/A	27.4 – 30.1
4. Market Comparable 4.1 P/BV	13.1 – 14.1	3.4 – 4.5	1.2	17.7–19.8

(Unit: THB)

Valuation Approach	CPF Value per Share (Excluding CPALL and CPV Values)	CPALL Value per CPF Share	CPV Value per CPF Share	CPF Value per Share (Including CPALL and CPV Values)
4.2 P/E	25.9 – 27.6	8.0 – 9.7	2.9 – 3.0	36.8 – 40.3
4.3 EV/EBITDA	34.2 – 38.0	9.0 – 11.7	12.3 – 13.2	55.5 – 62.9
5. DCF				
5.1 Base case scenario	25.5	10.1	1.6	37.2
5.2 Sensitivity analysis	20.7 – 32.0	9.0 – 11.3	1.3 – 1.9	31.0 – 45.2

Independent Financial Advisor's opinion on the appropriateness of each valuation approach is as follows.

1) BV and P/BV Approaches reflect corporate value as shown on the financial statement at a single point of time. They neither reflect the fair market value of asset nor take future performance into consideration. Hence, BV and P/BV deem inappropriate.

2) ABV Approach reflects fair market value of asset; however, it does not factor future performance into consideration. Hence, ABV deem inappropriate.

3) Market Price Approach reflects value according to market mechanism. Furthermore, CPF has fairly good trading liquidity. Hence, market price approach deem appropriate.

4) P/E and EV/EBITDA Approaches consider profit creation capability, but they are based on short-term profit and EBITDA without reflecting future performance. Hence, P/E and EBITDA deem inappropriate.

5) DCF Approach takes future performance into consideration including economic and overall industry trend. Hence, DCF deems appropriate.

We opine that the appropriate approaches in assessing CPF value are Market Price and DCF Approaches. Therefore, fair value of CPF ranges in THB 27.4-45.2 per share.

5.3 Independent Financial Advisor's Opinion on Fairness of Transacted Price

5.3.1 Opinion on Fairness of CPP Price

(Unit: THB)

Valuation Approach	CPP Value per Share (Include CPV)	Transacted Price	Assessed Value Is Higher (Lower) than the Transacted Price By	
			THB	%
1. BV	0.9	3.5	(2.6)	(74.3)
2. ABV	0.9	3.5	(2.6)	(74.3)
3. Market Price	3.1 – 3.6	3.5	(0.4) – 0.1	(11.4) – 2.9
4. Market Comparable				
4.1 P/BV	3.8 – 3.9	3.5	0.3 – 0.4	8.6 – 11.4
4.2 P/E	10.2 – 10.4	3.5	6.7 – 6.9	191.4 – 197.1
4.3 EV/EBITDA	14.0 – 14.9	3.5	10.5 – 11.4	300.0 – 325.7
5. DCF				
5.1 Base case scenario	3.9	3.5	0.4	11.4
5.2 Sensitivity analysis	3.3 – 4.6	3.5	(0.2) – 1.1	(5.7) – 31.4

We opine that the fair value of CPP share is in the range of THB 3.1–4.6 per share which is higher (lower) than the transacted price of THB 3.5 per share by THB (0.4) – 1.1 per share, representing (11.4%) – 31.4% of the transacted price. Hence, transacted CPP price is reasonable.

5.3.2 Opinion on Fairness of CPF Price

(Unit: THB)

Valuation Approach	CPF Value per Share (Include CPALL and CPV)	Transacted Price	Assessed Value Is Higher (Lower) than the Transacted Price By	
			THB	%
1. BV	8.6	30.0	(21.4)	(71.3)
2. ABV	8.6	30.0	(21.4)	(71.3)
3. Market Price	27.4 – 30.1	30.0	(2.6)– 0.1	(8.7)– 0.3
4. Market Comparable				
4.1 P/BV	17.7–19.8	30.0	(12.3)– (10.2)	(41.0)– (34.0)
4.2 P/E	36.8 – 40.3	30.0	6.8 – 10.3	22.7– 34.3
4.3 EV/EBITDA	55.5 – 62.9	30.0	25.5 – 32.9	85.0 – 109.7
5. DCF				
5.1 Base case scenario	37.2	30.0	7.2	24.0
5.2 Sensitivity analysis	31.0 – 45.2	30.0	1.0 – 15.2	3.3 – 50.7

We opine that the fair value of CPF share is in the range of THB 27.4–45.2 per share which is higher (lower) than the transacted price of THB30 per share by THB (2.6)–15.2 per share, representing (8.7%)–50.7% of the transacted price. Hence, transacted CPF price is reasonable.

5.4 Appropriateness of Conditions relevant to the Transaction

As of 25 November 2011, the independent financial advisor obtained the execution copies of SPA among Buyers and Sellers relating to the acquisition of shares in CPP, there are conditions precedent as follow;

- the Company must obtain shareholders' approval on the entering into the Transaction and other relevant matters;
- CPP and its subsidiaries and/or the Sellers must obtain any approval and/or consent from relevant parties for the sale of CPP shares to the Buyers, for examples
- no material adverse change in the business, assets, liabilities, prospects or results of operation of CPP and its subsidiaries.

If the aforementioned conditions precedent are not satisfied or waived on or before 30 June 2012 (long-stop date), or such late date as Buyers and Sellers may agree, the SPA and the rights and obligation hereunder shall cease and terminate.

However, the aforementioned conditions precedent are normal conditions of Purchase and Sales Transaction. Hence, the independent financial advisor has an opinion that the entering into this transaction is reasonable and beneficial to CPF Group and the shareholders and will not deprive CPF Group of any benefits thereof.

6. Conclusion of the IFA's Opinion

After entering into this transaction, CPF Group will become the largest listed integrated livestock and aquaculture company in Asia Pacific Region. Benefits of the transaction include increased efficiency caused by centralized management, enlarged customer base resulting from aggressive move into huge growth potential markets, more bargaining power in raw material procurement, better cost management by reducing redundant items, better financial cost management, international trade information exchange and better utilization of human resources.

The issuance of new shares as partial consideration for acquiring CPP shares will cause control and EPS dilution of 9.0% (in case that CPP's financial performance and numbers of the Company's treasury stock are excluded from the calculation). Furthermore, financial cost relevant to the borrowings used to partly finance the transaction will lessen CPF Group's net profit. However, after the Transaction has been completed, CPF Group's revenues and profit are expected to increase as CPP's financial performance will be consolidated into CPF Group's financials. Hence, EPS should be increased accordingly.

CPF's transacted price of THB30 deems appropriate as its assessed value is in the range of THB 27.4-45.2 per share which is higher (lower) than the transacted price by THB (2.6)-15.2 per share, representing (8.7%)-50.7% of the transacted price. CPP's transacted price of THB 3.5 also deems appropriate as its assessed value is in the range of THB 3.1-4.6 per share which is higher (lower) than the transacted price by THB (0.4) - 1.1 per share, representing (11.4%) - 31.4% of the transacted price.

The independent financial advisor has an opinion that the entering into this transaction will significantly strengthen CPF Group's competitive advantages in the global market and the relevant conditions of Transaction are reasonable and beneficial to CPF Group and the shareholders and will not deprive CPF Group of any benefits thereof; therefore, the entering into this transaction is reasonable and beneficial to CPF Group and its shareholders in the future.

Based on the above rationale, the independent financial advisor has an opinion that the shareholder should vote in favor of the entering into the transaction; however, the decision making of approving or not approving this transaction is to be made at the shareholder's own discretion.

We hereby certify that we have rendered opinion on the asset acquisition and the connected transaction prudently under the code of professional practices and in the interest of the shareholders.

Sincerely yours,
Asia Plus Advisory Company Limited

.....*Kongkiat Opaswongkarn*.....
(Dr. Kongkiat Opaswongkarn)
Director

.....*Lec Sicoravit*.....
(Mr. Lec Sicoravit)
Director

.....*Suwimol Srisophachit*.....
(Ms. Suwimol Srisophachit)
Operational Controller