Independent Financial Advisor Opinion on the Connected Transactions

Charoen Pokphand Foods Public Company Limited

11 June 2014

by

Phatra

Phatra Securities Public Company Limited

Table of Content

Topics **Page**

Glossary

BofAML	Means	Bank of America Merrill Lynch
CAGR	Means	Compound Annual Growth Rate
CAPM	Means	Capital Asset Pricing Model
Company or CPF	Means	Charoen Pokphand Foods Public Company Limited
Connected Transactions	Means	The Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive
CPF Group	Means	Company and its subsidiaries
CPG	Means	Charoen Pokphand Group Company Limited
CPG Group	Means	CPG and its subsidiaries which CPG directly and indirectly owns shares
CPP	Means	C.P. Pokphand Company Limited
CTA	Means	Chia Tai (China) Agro-Industrial Limited
CTCI	Means	Chia Tai (China) Investment Company Limited
CT Bright	Means	CT Bright Holdings Limited
DCF	Means	Discounted Cash Flows Approach
EBITDA	Means	Earnings before Interest, Tax, Depreciation and Amortization
EBITDA Margin	Means	Earnings before Interest, Tax, Depreciation and Amortization to Total Sales Ratio
EGM	Means	Extraordinary General Meeting of Shareholders
Ek Chor	Means	Ek Chor Investment Company Limited
EMS	Means	Early Mortality Syndrome
EV/EBITDA	Means	Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization Ratio
GDP	Means	Gross Domestic Product
GPM	Means	Gross Profit Margin (Gross Profit to Total Sales Ratio)
IFA or Independent Financial Advisor or Phatra	Means	Phatra Securities Public Company Limited
IFA's Opinion or Opinion	Means	Independent Financial Advisor's opinion to shareholders of the Company on the fairness and benefit of the Connected Transactions
Investment in Rapid Thrive	Means	CPP's Investment in issued shares of Rapid Thrive and CPP's loan to Rapid Thrive
Kaifeng	Means	Kaifeng Chia Tai Company Limited
Luoyang	Means	Luoyang Northern Ek Chor Motorcycle Company Limited

Glossary

NPV	Means	Net Present Value
NTA	Means	Net Tangible Assets
P/E	Means	Price to Earnings Ratio
Rapid Thrive	Means	Rapid Thrive Limited
RMB	Means	Chinese Yuan
ROFR	Means	Right of First Refusal
SEC	Means	The Office of the Securities and Exchange Commission, Thailand
SET	Means	The Stock Exchange of Thailand
SG&A	Means	Selling and Administrative Expenses
Thana Holding	Means	Thana Holding Compamy Limited
The Acquisition of the Entire Investment in Kaifeng	Means	The acquisition of the entire investment in Kaifeng Chia Tai Company Limited
The Disposal of the Entire Investment in Rapid Thrive	Means	The disposal of the entire investment in Rapid Thrive Limited
The Notifications regarding Acquisition or Disposal of Assets	Means	The Notifications of the Capital Market Supervisory Board No. Thor. Jor. 20 / 2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 (including any amendments thereof) and the Notifications 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 dated 29 October 2004 (including any amendments thereof)
The Notifications regarding Connected Transactions	Means	The Notifications of the Capital Market Supervisory Board No. Thor. Jor. 21 / 2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendments thereof) and The Notifications 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 dated 19 November 2003 (including any amendments thereof)
VAT	Means	Value Added Tax
WACC	Means	Weighted Average Cost of Capital

11 June 2014

Subject: Independent Financial Advisor's Opinion on the Connected Transactions of Subsidiaries of Charoen Pokphand Foods Public Company Limited

To: Shareholders of Charoen Pokphand Foods Public Company Limited

Charoen Pokphand Foods Public Company Limited's ("**CPF**" or the "**Company**") board of directors meeting no. 6 / 2014 on 21 May 2014 has approved (a) an acquisition of the entire investment in Kaifeng Chia Tai Company Limited ("**Kaifeng**") from a connected person (the **"Acquisition of the Entire Investment in Kaifeng**") and (b) a disposal of the entire investment in Rapid Thrive Limited ("**Rapid Thrive**") to a connected person (the **"Disposal of the Entire Investment in Rapid Thrive**"). Information of transactions is as follows:

Details of the Acquisition of the Entire Investment in Kaifeng	
Transaction	The acquisition of the entire investment in Kaifeng
Purchaser	Chia Tai (China) Investment Company Limited (**"CTCI"**), a wholly-owned subsidiary of C.P. Pokphand Company Limited ("**CPP**"), who is a subsidiary of CPF
Seller	Chia Tai (China) Agro-Industrial Limited (**"CTA"**), a wholly-owned subsidiary of Thana Holding Limited ("**Thana Holding**")
Relationship to CPF	CTA is related to CPF since they both have the Chearavanont family as the ultimate major shareholder
Details of the Disposal of the Entire Investment in Rapid Thrive	
Transaction	The disposal of the entire investments in Rapid Thrive (including equity and debt interest in Rapid Thrive)
Purchaser	CT Bright Holdings Limited ("**CT Bright**") is an indirect wholly owned subsidiary of Charoen Pokphand Group Limited ("**CPG")**
Seller	CPP, a subsidiary of CPF
Relationship to CPF	CT Bright is an indirect wholly owned subsidiary of CPG, who is the major shareholder of CPF

The Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive (collectively the "**Connected Transactions**") are considered connected transactions in accordance with the Notification of the Capital Market Supervisory Board No. Thor. Jor. 21 / 2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendments thereof) and considered connected transactions relating to assets or services in accordance with 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 as of 19 November 2003 (including any amendments thereof) (collectively, the "**Notification regarding Connected Transactions**"). The size of each Connected Transaction is over 3.0% of Net Tangible Asset ("**NTA**") of the Company. In addition, the Company and its subsidiary also have entered into other connected transactions during the past 6 months whose ratios combined with the Connected Transactions are 9.59% which is over 3.0% of NTA. Prior to entering into the Connected Transactions, the Company must hold extraordinary general meeting ("**EGM**") and seek an approval from shareholders prior to entering into the Connected Transactions. The approval shall be granted by a vote of not less than three-fourths of the total number of votes of the shareholders who are present and entitled to vote, excluding the votes of interested shareholders.

The Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive are also considered acquisition and/or disposal of assets transactions in accordance with the Notifications of the Capital Market Supervisory Board No. Thor. Jor. 20 / 2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 (including any amendments thereof) and the Notifications 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 dated 29 October 2004 (including any amendments thereof) (collectively, the "**Notifications regarding Acquisition or Disposal of Assets**"). In addition, the Company and its subsidiary have entered into other acquisition and/or disposal of assets transactions during the past 6 months prior to the date of these acquisition and disposal of assets transactions; therefore, the Company must include other transactions into ratio calculation. Total ratio of acquisition and/or disposal of assets are approximately 4.9%, which is less than 15.0% (ratio is calculated as of the end of the latest quarter prior to the board of director's approval of the particular acquisition and/or disposal of assets). Therefore, the Company does not require to disclose information memorandam to SET in accordance with the Notifications regarding Acquisition or Disposal of Assets.

The Company has appointed Phatra Securities Public Company Limited ("**Phatra**" or "**Independent Financial Advisor**" or "**IFA**") to act as the independent financial advisor to provide opinion on fairness of the Connected Transactions to the Company's shareholders (the "**Opinion**") in making a decision regarding the Connected Transactions. The IFA has prepared the Opinion in accordance with the "Practices and Sources of Information in the Preparation of the Opinion of the Independent Financial Advisor" as mentioned in section 2.1 of this Opinion. This Opinion by the IFA is based upon market, economic and other conditions as they exist and can be evaluated and on the information made available to the IFA, as of the date hereof. Such information and assumptions are subject to change in due course and may have material effect on the Opinion of the IFA. The IFA has no obligation to update, revise or reaffirm the Opinion stated herein.

The Opinion of the IFA regarding the Connected Transactions is as follows:

1. Executive Summary

Charoen Pokphand Foods Public Company Limited's ("**CPF**" or the "**Company"**) board of directors meeting no. 6 / 2014 on 21 May 2014, has approved (a) an acquisition of the entire investment in Kaifeng Chia Tai Company Limited ("**Kaifeng**") from a connected person (the "**Acquisition of the Entire Investment in Kaifeng**") and (b) a disposal of the entire investment in Rapid Thrive Limited ("**Rapid Thrive**") to a connected person (the "**Disposal of the Entire Investment in Rapid Thrive**").

The Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive (collectively the "**Connected Transactions**") are considered connected transactions in accordance with the Notification of the Capital Market Supervisory Board No. Thor. Jor. 21 / 2551 Re: Rules on Connected Transactions dated 31 August 2008 (including any amendments thereof) and considered connected transactions relating to assets or services in accordance with 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 as of 19 November 2003 (including any amendments thereof) (collectively, the "**Notification regarding Connected Transactions**"). The size of each Connected Transaction is over 3.0% of Net Tangible Asset ("**NTA**") of the Company. In addition, the Company and its subsidiary also have entered into other connected transactions during the past 6 months whose ratios combined with the Connected Transactions are 9.59% which is over 3.0% of NTA. Prior to entering into the Connected Transactions, the Company must hold extraordinary general meeting ("**EGM**") and seek an approval from shareholders prior to entering into the Connected Transactions. The approval shall be granted by a vote of not less than three-fourths of the total number of votes of the shareholders who are present and entitled to vote, excluding the votes of interested shareholders.

The Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive are also considered acquisition and/or disposal of assets transactions in accordance with the Notifications of the Capital Market Supervisory Board No. Thor. Jor. 20 / 2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 (including any amendments thereof) and the Notifications 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 dated 29 October 2004 (including any amendments thereof) (collectively, the "**Notifications regarding Acquisition or Disposal of Assets**"). In addition, the Company and its subsidiary have entered into other acquisition and/or disposal of assets transactions during the past 6 months prior to the date of these acquisition and disposal of assets transactions; therefore, the Company must include other transactions into ratio calculation. Total ratio of acquisition and/or disposal of assets are approximately 4.9%, which is less than 15.0% (ratio is calculated as of the end of the latest quarter prior to the board of director's approval of the particular acquisition and/or disposal of assets). Therefore, the Company does not require to disclose information memorandam to SET in accordance with the Notifications regarding Acquisition or Disposal of Assets.

Information of the two transactions are as follows:

Details of the Acquisition of the Entire Investment in Kaifeng	
Transaction	The Acquisition of the Entire Investment in Kaifeng
Purchaser	Chia Tai (China) Investment Company Limited (**"CTCI"**), a wholly-owned subsidiary of C.P. Pokphand Company Limited ("**CPP**"), who is a subsidiary of CPF
Seller	Chia Tai (China) Agro-Industrial Limited (**"CTA"**), a wholly-owned subsidiary of Thana Holding Limited ("**Thana Holding**")
Relationship to CPF	CTA is related to CPF since they both have the Chearavanont family as the ultimate major shareholder

Entering into the Acquisition of the Entire Investment in Kaifeng, a subsidiary of the Company will acquire the entire investment in Kaifeng for a consideration of RMB 311 million or approximately THB 1,642 million (Exchange rate of THB 5.28 / RMB as of 20 May 2014), which will be paid in full by cash within 6 months after the date that shareholders of the Company and CPP have approved the transaction and conditions precedent agreed in the share purchase agreement of Kaifeng are completed. The objective of the Acquisition of the Entire Investment in Kaifeng is to conform with the Company's long-term business plan to focus on the operation and expansion of its core agro-industrial and food business only.

Kaifeng is located in Henan Province, China. It produces 3 types of animal feed, comprise of poultry feed, swine feed and aquatic feed. Annual production capacity is 240,000 tons. In 2013, Kaifeng produced 172,043 tonnes of feed. Kaifeng produces and distributes its animal feed under Chia Tai brand and provides comprehensive services to its swine feed customers, which differentiates Kaifeng from other competitors in China.

The IFA has reviewed and analyzed information in relation to the terms and conditions of the Acquisition of the Entire Investment in Kaifeng, benefits and prepared our view on the factors that may significantly affect the Acquisition of the Entire Investment in Kaifeng based on the information obtained from various sources including data, documents, interview with the Company's management and Kaifeng's management in accordance with the "Practices and Sources of Information in the Preparation of the Opinion of the Independent Financial Advisor" as described in section 2.1 of this Opinion. The summary opinion of the IFA is as follows:

Benefits of the Acquisition of the Entire Investment in Kaifeng

- Fit with company's long-term business strategy to strengthen its position in high potential feed market and to immediately increase the production capacity in order to respond to higher demand of animal feeds
- Expand customers base and distribution channels of the Company through Kaifeng
- Slightly increase total revenues and profit of the Company and does not have materially impact on the Company's financial position

Factors that may significantly affect the Acquisition of the Entire Investment in Kaifeng

- The Company may realize lower return than expected if Kaifeng's performance fails to meet the the Company's expectation. This could be due to several external and internal factors such as change in demand and supply of animal feeds in China, change in weather condition, animal epidemic, change in prices of animal feeds and raw materials of feed as well as supply of raw materials.

With regards to the fairness of the price of the Acquisition of the Entire Investment in Kaifeng, the IFA has used several valuation approaches including the following methodologies:

1. Discounted Cash Flows Approach or ("**DCF**")
2. Trading Comparable Approach
3. Precedent Transaction Comparable Approach

Considering benefits and factors that may significantly affect the Acquisition of the Entire Investment in Kaifeng and the fairness of the price, the IFA has an Opinion that the Acquisition of the Entire Investment in Kaifeng is appropriate and benefitial to the Company's shareholders as the transaction is consistent with the Company's policy and the offering price of RMB 311 million or approximately THB 1,642 million is lower than the range of fair value of RMB 350 – 420 million or approximately THB 1,848 – 2,218 million (Exchange rate of THB 5.28 / RMB as of 20 May 2014).

Details of the Disposal of the Entire Investment in Rapid Thrive	
Transaction	The Disposal of the Entire Investments in Rapid Thrive (including equity and debt interest in Rapid Thrive)
Purchaser	CT Bright Holdings Limited ("**CT Bright**") is an indirect wholly owned subsidiary of Charoen Pokphand Group Limited ("**CPG")**
Seller	CPP, a subsidiary of CPF
Relationship to CPF	CT Bright is an indirect wholly owned subsidiary of CPG, who is the major shareholder of CPF

Enterig into the Disposal of the Entire Investment in Rapid Thrive, a subsidiary of the Company will dispose the entire investments in Rapid Thrive for a consideration of USD 49.5 million or approximately THB 1,617 million (Exchange rate of THB 32.67 / USD as of 20 May 2014). Cash payment will be received within 6 months after the date that shareholders of the Company and CPP have approved the transaction and conditions precedents agreed in the share purchase agreement of Rapid Thrive are completed. The objective of the Disposal of the Entire Investment in Rapid Thrive is to exit non-core business, which is in compliance with the Company's long-term business plan to focus on the operation and expansion of its core agro-industrial and food businesses only.

Rapid Thrive is an investment holding company that owns 100.0% shares in Ek Chor Invesment Company Limited (**"Ek Chor"**), which is also an investment holding company. Ek Chor's main source of income is from its 55.0% holding in Luoyang Northern Ek Chor Motorcycle Company Limited (**"Luoyang"**) and Luoyang engages in the manufacture and sale of motorcycles and motorcycle engines in China.

The IFA has reviewed and analyzed information in relation to the terms and conditions of the Disposal of the Entire Investment in Rapid Thrive, benefits and prepared our view on the factors that may significantly affect the Disposal of the Entire Investment in Rapid Thrive based on the information obtained from various sources including data, documents, interview with the Company's management and Luoyang's management. The IFA has prepared the Opinion in accordance with the "Practices and Sources of Information in the Preparation of the Opinion of the Independent Financial Advisor" as described in section 2.1 of this Opinion. The summary opinion of the IFA is as follows:

Benefits of the Disposal of the Entire Investment in Rapid Thrive

- Consistent with the Company's long-term business to exit non-core businesses and to focus only on the operation and expansion of its core agro-industrial and food businesses
- Enable CPP to focus existing resources in the core business in order to achieve the maximum benefit
- Receive cash consideration which can be invested in the Company's core businesses

Factors that may significantly affect the Disposal of the Entire Investment in Rapid Thrive

- If the motorcycle industry significantly improves, the Company might lose business opportunities

With regards to the fairness of the price of the Disposal of the Entire Investment in Rapid Thrive, the IFA has used several valuation approaches including the following methodologies:

1. DCF
2. Trading Comparable Approach
3. Precedent Transaction Comparable Approach
4. Book Value Approach

Considering benefits and factors that may significantly affect the Disposal of the Entire Investment in Rapid Thrive and the fairness of the price, the IFA has an Opinion that the Disposal of the Entire Investment in Rapid Thrive is appropriate and beneficial to the Company's shareholders as the transaction is consistent with the Company's policy and the offering price of USD 49.5 million or approximately THB 1,617 million is within the range of fair value of USD 40.2 – 51.0 million or approximately THB 1,314 – 1,665 million (Exchange rate of THB 32.67 / USD as of 20 May 2014).

However, the decision whether to approve the aforementioned Connected Transactions depends on shareholders' own judgment. Shareholders should consider information that are part of the invitation to the EGM including all relevant details of the IFA's Opinion and deliberately use his or her own judgment in making the final decision.

2. Detail of the Connected Transactions

CTCI, an indirect wholly-owned subsidiary of the Company, through the ownership in CPP, has expressed an interest to enter into a connected transaction in which it will acquire the entire investment in Kaifeng from CTA, upon the completion of the conditions precedent described in section 2.2.2 hereunder. The total consideration is RMB 311 million or approximately THB 1,642 million (Exchange rate of 5.28 THB / RMB as of 20 May 2014). Since the transaction is a connected transaction and the size of the transaction is greater than 3.0% of NTA from the consolidated financial statements for the period ending 31 March 2014, the board of directors' meeting of the Company no. 6 / 2014 on 21 May 2014 has proposed to hold the EGM to seek an approval of the Acquisition of the Entire Investment in Kaifeng.

The Acquisition of the Entire Investment in Kaifeng is classified as a connected transaction because CTA and CPF both have the Chearavanont family as their major ultimate shareholder. Therefore, the Acquisition of the Entire Investment in Kaifeng is a connected transaction in accordance with the Notifications regarding Connected Transactions.

In addition, CPP wishes to dispose the Entire Investment in Rapid Thrive (comprises of 100% shares of Rapid Thrive held by CPP and CPP's loan to Rapid Thrive (**"Investment in Rapid Thrive"**)), a wholly-owned subsidiary of CPP, to CT Bright, upon the completion of the conditions precendents described in section 2.3.2 hereunder. The total consideration is USD 49.5 million or approximately THB 1,617 million (Exchange rate of THB 32.67 / USD as of 20 May 2014). Since the transaction is a connected transaction as CT Bright and CPP both have CPG as their major shareholders and the size of the transaction is greater than 3.0% of NTA, the board of directors' meeting of the Company no. 6 / 2014 on 21 May 2014 has proposed to hold the EGM to seek an approval of the Disposal of the Entire Investment in Rapid Thrive.

Since the Company and its subsidiary have entered into connected transactions during the six-month period prior to the date of these Connected Transactions, the Company must include the size of the previous connected transactions that took place between 22 November 2013 and 21 May 2014 into the size calculation as follows:

	Date of Board of Directors' Meeting	Detail of Transactions	Transaction Size (THB million)	Percentage of Transaction Size to NTA (%)	Based on the Company's Consolidated Financial Statements as of
1.	28 January 2014	CPF disposed the entire investment in common shares of IP (Thailand) to CPG, the major shareholder of CPF	51	0.11	30 September 2013
2.	24 Febuary 2014	CTCI purchased the entire investment in Hefei Chia Tai Company Limited from CTA	1,194[(1)]	2.56	31 December 2013
3.	21 May 2014[(4)]	CTCI purchased the entire investment in Kaifeng from CTA	1,642[(2)]	3.48	31 March 2014

Date of Board of Directors' Meeting	Detail of Transactions	Transaction Size (THB million)	Percentage of Transaction Size to NTA (%)	Based on the Company's Consolidated Financial Statements as of
4. 21 May 2014[5]	CPP disposed the entire Investment in Rapid Thrive to CT Bright	1,617[3]	3.43	31 March 2014
Total		**4,504**	**9.59**	

Note: [1]*Exchange rate of THB 5.43 / RMB (Source: Bank of Thailand as of 20 February 2014)*
[2]*Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)*
[3]*Exchange rate of THB 32.67 / USD (Source: Bank of Thailand as of 20 May 2014)*
[4]*Detail of the third transaction is indicated in section 2.2*
[5]*Detail of the fourth transaction is indicated in section 2.3*

Since each transaction size of the Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive exceeds 3.00% of NTA and the combined size of all connected transactions in the previous 6 months is 9.59% of NTA, the Company must disclose the connected transactions to the Stock Exchange of Thailand (**"SET"**) and appoint an independent financial advisor to provide an Opinion on the reasonableness and the fairness of terms and conditions of the Connected Transactions to the shareholders. In addition, the company must hold an EGM to request approval from shareholders prior to entering into the Connected Transactions. The approval shall be granted by a vote of not less than three-fourths of the total number of votes of the shareholders who are present and entitled to vote, excluding the votes of interested shareholders.

The Acquisition of the Entire Investment in Kaifeng and the Disposal of the Entire Investment in Rapid Thrive are also considered acquisition and/or disposal of assets transactions in accordance with the Notifications regarding Acquisition or Disposal of Assets. In addition, since the Company and its subsidiary have entered into other acquisition and/or disposal of assets transactions during the past 6 months prior to the date of these acquisition and/or disposal of assets transactions, the Company must include the ratio of the previous connected transactions that took place between 22 November 2013 and 21 May 2014 into the ratio calculation as follows:

Date of Board of Directors' Meeting	Detail of Transactions	Transaction Size (THB million)	NTA Ratio (%)	Profit Ratio (%)	Consideration Ratio (%)	Maximum Ratio (%)
1 28 January 2014	CPF disposed the entire investment in common shares of IP (Thailand) to CPG, the major shareholder of CPF	51	0.05	-[2]	0.01	0.05
2 24 Febuary 2014	CTCI purchased the entire investment in Hefei Chia Tai Company Limited from CTA	1,194[1]	0.2	0.9	0.3	0.9
3 21 May 2014[4]	CTCI purchased the entire investment in Kaifeng from CTA	1,642[2]	0.2	1.4	0.4	1.4

Date of Board of Directors' Meeting	Detail of Transactions	Transaction Size (THB million)	NTA Ratio (%)	Profit Ratio (%)	Consideration Ratio (%)	Maximum Ratio (%)
4 21 May 2014[(5)]	CPP disposed the entire Investment in Rapid Thrive to CT Bright	1,617[(3)]	2.5	1.1	0.4	2.5
Total size		**4,504**				**4.9**

Notes: [(1)] *The 4 transactions in the table above did not issues any new shares of the Company and its subsidiaries in order to acquire the assets; therefore, the listed securities ratio is not applicable*

[(2)] *IP (Thailand) had net loss; therefore, the proft ratio cannot be calculated*

[(3)] *Exchange rate of THB 5.43 / RMB (Source: Bank of Thailand as of 20 February 2014)*

[(4)] *Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)*

[(5)] *Exchange rate of THB 32.67 / USD (Source: Bank of Thailand as of 20 May 2014)*

Total ratio of asset acquisition and/or disposal are approximately 4.9%, which is less than 15.0% (ratio is calculated as of the end of the latest quarter prior to the board of director's approval of the particular acquisition and/or disposal of assets transactions). Therefore, the Company is not required to prepare information memorandam to SET in accordance with the Notifications regarding Acquisition and Disposal of Assets

2.1 Practices and Sources of Information in the Preparation of the Opinion of the Independent Financial Advisor

In preparing the Opinion, the IFA has performed our role in accordance with the Notification regarding Connected Transactions by studying, reviewing and analyzing the information and documents relevant to the Connected Transactions (including business plan, financial projections, 3-5 years historical financial statement, industry dynamic, Company's research, comparable peers' research in China, business contracts and etc.) of CPF, CPP, Kaifeng, Rapid Thrive, Ek Chor and Luoyang provided by CPF, conducting management interview of CPF, Kaifeng and Luoyang, reviewing Information Memorandum of CPF regarding the Connected Transactions date 21 May 2014 and other publicly available information. However, IFA did not perform due diligence on the information obtained and has relied on such information being accurate and complete. The IFA has assumed that all business contracts and other related agreements are valid and effective without any other material information adversely affecting the Opinion. No representation or warranty, expressed or implied, is made as to the accuracy or completeness of such information. Some of the information and documents used in the Opinion were translated from Chinese into English language by the Company. Therefore, the translated documents may not perfectly convey the complete meaning of the information represented in the original languages. No representation or warranty, expressed or implied, is made as to the accuracy or completeness of such translated information.

The IFA has no reason to doubt that the aforementioned information is materially inaccurate or incomplete that would adversely affect the analysis of the information. The IFA would refrain from giving any opinion on analysis and business plan including all the aforesaid assumptions furnished by the management of CPF, Kaifeng and Luoyang.

The Opinion is necessarily based upon the market, economic and other external conditions as they exist and can be evaluated on, as of, the time of study only. The information and assumptions are subject to change in due course and may have material effect on the Opinion. The IFA assume no obligation to update, revise or reaffirm the Opinion stated herein.

This Opinion is for the use and benefit of the Company's shareholders. However, the final decision of the shareholders to approve or not approve the Connected Transactions shall be based entirely on the discretion of each of the Company's shareholder.

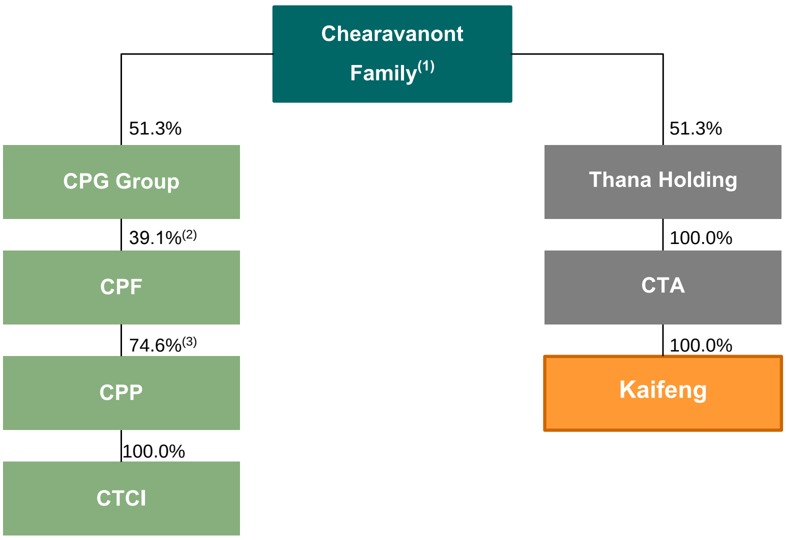
2.2 Overview of the Acquisition of the Entire Investment in Kaifeng

2.2.1 Background, Type and Relationship of the Connected Person in the Connected Transaction

The Acquisition of the Entire Investment in Kaifeng is to comply with the Company's policy and to conform with its long-term plan to focus the operation and expansion of its core agro-industrial and food business only. The Acquisition of the Entire Investment in Kaifeng will help increase the production capacity of animal feeds and help strengthen CPP's competitive position in China feeds market. The Acquisition of the Entire Investment in Kaifeng with CTA is considered as connected transaction related to assets or services in compliance with the Notifications regarding Connected Transactions because both CTA and CPF have the same utilmate major shareholders: Chearavanont Family.

Relationship of connected persons are as follows:

Pre-transaction Shareholding Structure



Source: Shareholding structure as of book closing date on 9 May 2014

Note: (1) Major shareholders having stakes of more than 10% in Thana Holding are considered as Chearavanont Family which includes (1) Dhanin Chearavanont (2) Sumet Jiaravanon (3) Jaran Chiaravanont and (4) Montri Jiaravanont having stake of 12.96%, 12.96%, 12.76% and 12.63%, respectively (total shareholding of 51.3%) and the ten following shareholders include Kiat Chiaravanont (5.8%), C.P. Intertrade Co., Ltd. (4.2%), Phongthep Chiaravanont (3.7%), Yupa Chiaravanond (3.6%), Manas Chiaravanond (3.6%), Manu Chiaravanond (3.6%), Phatanee Leksrisompong (3.6%), Prathip Chiravanond (3.6%), Vajarachai Chiaravanond (3.6%) and Wanlop Chiaravanont (3.2%)

(2) CPG Group includes (1) 25.00% by CPG (2) 11.48% by Charoen Pokphand Holding Co., Ltd. and (3) 2.65% by Orient Success International Limited and excludes CPF's subsidiaries, which are (1) 2.68% by CPF (Thailand) Public Company Limited (2) 1.07% by Bangkok Produce Company Limited (3) 0.83% by Plenty Type Limited, these companies together hold 4.58%

(2) Shareholding includes both common and convertible preferred shares, if excludes convertibles preferred shares, shareholding is 70.9%

As of 9 May 2014, the Company has connected persons in accordance with the Notifications of regarding the Connected Transactions that may have potential conflict of interests as follows:

- **Purchaser (CTCI):**
  - The Company indirectly owns 74.6% of both common shares in CTCI through CPP
  - The Company has Chearavanont Family as a major utilmate shareholder. Chearavanont Family holds 51.3% in CPG Group, which in turn holds 39.1% in the Company.
- **Seller (CTA):**
  - Chearavanont Family indirectly owns 51.3% shares in CTA through Thana Holding, who is the major shareholder of CTA
- **Connected person:**
  - CTA deemed a connected person of the Company because Chearavanont Family is the ultimate major shareholder of both the purchaser and the seller.
  - Mr. Dhanin Chearavanont is a connected person of the Company as he is the Chairman of the Company as well as a member of Chearavanont family
  - CTA has interests in the sale of the entire investment in Kaifeng of RMB 311 million or approximately THB 1,642 million to CTCI (Exchange rate of THB 5.28 / RMB as of 20 May 2014).

The board of directors' meeting of the Company no. 6 / 2014 on 21 May 2014 approved the entering into the Acquisition of the Entire Investment in Kaifeng. Directors who has conflict of interest or directors who represent persons that have conflict of interest did not attend the meeting and did not vote on the agenda.

2.2.2 Conditions in Entering into the Acquisition of the Entire Investment in Kaifeng

According to the share purchase agreement, CPP must make cash payment of RMB 311 million or approximately 1,642 million (Exchange rate of THB 5.28 / RMB as of 20 May 2014) within 6 months after the date that shareholders of the Company and CPP have approved the transaction and conditions precedent agreed in the share purchase agreement are completed. In addition, the Acquisition of the Entire Investment in Kaifeng completion is conditional upon approval from the Company's shareholders, in which shall be granted by a vote of not less than three-fourths of the total number of votes of the shareholders who have the right to vote and do not have conflict of interest.

2.2.3 Details of Assets to be Acquired

2.2.3.1 Business Description

Kaifeng, established in April 1985, engages in the manufacturing and selling 3 types of animal feed products in China, including poultry, swine and aquaculture feed in Henan Province, China.

Kaifeng currently has paid-up capital of RMB 53.5 million and CTA is its sole shareholder. The total production capacity of animal feed is 240,000 tons per year. In 2013, total feed production was 172,110 tons, equivalent to 71.8% utilization rate. The production included 53,658 tons of poultry feed, 81,128 tons of swine feed and 32,324 tons of aquaculture feed, which account for 31.2%, 47.1% and 21.7% of total production, respectively. Kaifeng has 2 main distribution channels which include 233 dealers in China and 185 direct farms.

Breakdown of Kaifeng's Revenue by Business Lines in 2013 and First Quarter of 2014

	2013			First Quarter of 2014		
	RMB million	**THB million**	**Percent**	**RMB million**	**THB million**	**Percent**
Revenue from poultry feeds	169.8	896.3	26.2	29.2	154.4	28.9
Revenue from swine feeds	313.3	1,654.0	48.4	69.5	366.8	68.5
Revenue from aquaculture feeds	164.3	867.4	25.4	2.7	14.0	2.6
Total revenues	**647.3**	**3,417.7**	**100.0**	**101.4**	**535.2**	**100.0**

Source: *Financial statements prepared by Kaifeng's management which have not been audited or reviewed by the auditor*

Note: *Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)*

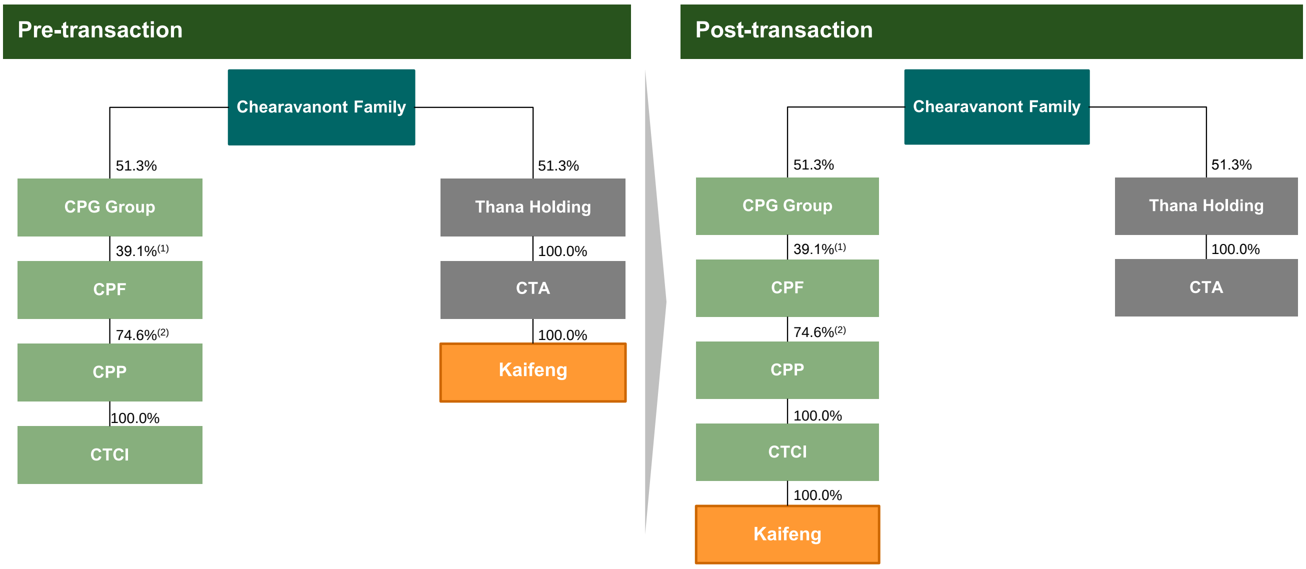
2.2.3.2 Kaifeng's Board of Director

As of 30 May 2014, Kaifeng has 4 board of directors as follows:

Name	Surname	Position
1. Mr. Erfeng	Huo	Chairman
2. Mr. Paisan	Youngsomboon	Director
3. Mr. Baozhen	Zheng	Director
4. Mr. Surin	Triamkitsawad	Supervisor

As of the date of this Opinion, CPP does not have any policy to change board of directors of Kaifeng after the Acquisition of the Entire Investment in Kaifeng

2.2.3.3 Shareholding Structure of Kaifeng before and after the Acquisition of the Entire Investment in Kaifeng



Source: Shareholding structure as of book closing date on 9 May 2014

Note: (1) CPG Group includes (1) 25.00% by CPG, (2) 11.48% by Charoen Pokphand Holding Co., Ltd. and, (3) 2.65% by Orient Success International Limited and excludes CPF's subsidiaries, which are (1) 2.68% by CPF (Thailand) Public Company Limited (2) 1.07% by Bangkok Produce Company Limited (3) 0.83% by Plenty Type Limited, these companies together hold 4.58%

(2) Shareholding includes both common and convertible preferred shares, if excludes convertibles preferred shares, CPF's shareholding is 70.9%

2.2.3.4 Summary of Kaifeng's Historical Operational and Financial Performance

On 30 June 2012, Kaifeng splitted non-animal feed business; therefore, the 2011 – 2012 income statements and the 2011 balance sheet (audited financial statements by the auditor) still includes non-animal feed business transactions, and as a result, financial statements are not comparable. In order to compare and analyze financial statements, Kaifeng's management has prepared financial statements including only animal feed business, which has not been audited by the auditor. The analysis of operational and financial performance will based on those financial statements. In addition, audited financial statements which have been audited by the auditor are shown below for reference.

<u>Kaifeng's Income Statement (Include Only Animal Feeds Business)</u>[(1)]

	12 months periods ending on				3 months periods ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million**[(2)]	**RMB million**	**RMB million**	**THB million**[(2)]
Sale from animal feed business	611.4	654.6	647.3	3,417.7	112.6	101.4	535.2
Cost of goods sold	539.4	564.0	549.4	2,901.0	95.7	82.3	434.6
Gross profit	**72.0**	**90.5**	**97.9**	**516.7**	**16.9**	**19.1**	**100.6**
Selling and administrative expenses and others	46.2	50.1	57.0[(3)]	301.2	10.8	13.1	69.4
Profit before finance costs and income tax	**25.7**	**40.4**	**40.8**	**215.5**	**6.1**	**5.9**	**31.2**

	12 months periods ending on				3 months periods ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Finance costs	(3.3)	(0.6)	3.3	17.6	0.8	0.5	2.9
Earnings before tax	29.0	41.0	37.5	197.9	5.4	5.4	28.3
Tax expenses	4.3	10.2	8.4	44.2	1.3	1.3	7.1
Net profit	**24.7**	**30.7**	**29.1**	**153.7**	**4.0**	**4.0**	**21.3**

Source: Kaifeng's audited financial statements by Kaifeng Yicheng, China, except for 1) 2011 – 2012 income statements (include only animal feeds business for comparison with 2013 income statement) prepared by Kaifeng's management which have not been audited or reviewed by the auditor and 2) Quarterly financial statements prepared by Kaifeng's management and has not been reviewed by the auditor

Note: [1] Adjusted financial statements that only include animal feeds business (Post splitting non-animal feed business out from Kaifeng)

[2] Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

[3] Selling and administrative expenses and non-operating profit of RMB 1.3 million

Breakdown of Kaifeng's Revenue by Animal Feeds Business

	12 months periods ending on				3 months periods ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million[1]**	**RMB million**	**RMB million**	**THB million[1]**
Poultry feeds	214.0	170.7	169.8	896.3	38.3	29.2	154.4
Swine feeds	268.2	306.3	313.3	1,654.0	70.7	69.5	366.8
Aquaculture feeds	129.1	177.6	164.3	867.4	3.5	2.7	14.0
Total revenues from feeds business	**611.4**	**654.6**	**647.3**	**3,417.7**	**112.6**	**101.4**	**535.2**

Source: Financial statements prepared by Kaifeng's management which have not been audited or reviewed by the auditor

Note: [1] Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

Kaifeng's Income Statement

	12 months periods ending on			
	31 Dec 2011	31 Dec 2012	31 Dec 2013	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million**
Sale from animal feed business	647.7	666.6	647.3	3,417.7
Cost of goods sold	570.3	575.8	549.4	2,901.0
Gross profit	**77.5**	**90.8**	**97.9**	**516.7**
Selling and administrative expenses and others	46.2	50.1	57.0	301.2
Profit before finance costs and income tax	**30.5**	**39.5**	**40.8**	**215.5**
Finance costs	2.9	3.5	3.3	17.6
Earnings before tax	27.6	36.1	37.5	197.9
Tax expenses	4.2	9.0	8.4	44.2
Net profit	**23.3**	**27.0**	**29.1**	**153.7**

Source: Kaifeng's audited financial statements that include non-animal feed business and prepared by Kaifeng Yicheng, China

Note: [1] Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

Kaifeng's Balance Sheet (Include Only Animal Feeds Business)[1]

	As of						
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million[2]**	**RMB million**	**RMB million**	**THB million[2]**
Cash and cash equivalent	10.1	8.8	7.7	40.8	38.2	3.3	17.5
Accounts receivable	0.1	1.8	7.5	39.5	1.1	14.5	76.8
Inventory	44.1	36.1	44.9	237.0	69.2	47.0	248.0
Other current assets	8.2	17.1	21.7	114.6	16.5	19.3	101.9
Total current assets	**62.7**	**63.8**	**81.8**	**432.0**	**125.0**	**84.1**	**444.1**
Net fixed assets	22.6	21.7	27.4	144.8	21.6	26.7	141.1
Intangible assets	18.4	18.0	17.6	93.1	17.9	17.5	92.6
Other non-current assets	1.6	5.6	2.5	13.1	6.7	2.5	13.1
Total non-current assets	**42.6**	**45.3**	**47.5**	**251.0**	**46.3**	**46.7**	**246.8**
Total assets	**105.2**	**109.2**	**129.3**	**682.9**	**171.3**	**130.9**	**690.9**
Bank overdrafts and short-term borrowings from financial institution	0.0	25.0	50.0	264.0	50.0	50.0	264.0
Accounts payable	26.2	17.0	16.2	85.3	42.3	15.4	81.1
Other payables	75.5	38.2	3.5	18.7	40.1	8.0	42.2
Other current liabilities	30.4	25.1	26.7	141.0	31.0	20.5	108.4
Total current liabilities	**132.1**	**105.3**	**96.4**	**509.0**	**163.5**	**93.9**	**495.7**
Total liabilities	**132.1**	**105.3**	**96.4**	**509.0**	**163.5**	**93.9**	**495.7**
Share capital	53.5	53.5	53.5	282.7	53.5	53.5	282.7
Capital reserve	0.1	0.1	0.1	0.7	0.1	0.1	0.7
Surplus common reserve	4.5	4.5	4.5	23.9	4.5	4.5	23.9
Retained profit	(85.1)	(54.3)	(25.2)	(133.2)	(50.3)	(21.2)	(112.0)
Total shareholders' equity	**(26.9)**	**3.8**	**32.9**	**174.0**	**7.9**	**37.0**	**195.2**
Total liabilities and shareholders' equity	**105.2**	**109.2**	**129.3**	**682.9**	**171.3**	**130.9**	**690.9**

Source: Kaifeng's audited financial statements prepared by Kaifeng Yicheng, China, except for 1) 2011 balance sheets (include only animal feeds business for comparison with 2013 balance sheet purpose only) prepared by Kaifeng's management which have not been audited or reviewed by the auditor and 2) Quarterly financial statements prepared by Kaifeng's management and has not been reviewed by the auditor

Note: [1] Adjusted financial statements that only include animal feeds business

[2] Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

Kaifeng's Balance Sheet

	As of			
	31 Dec 2011	31 Dec 2012	31 Dec 2013	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million**[(1)]
Cash and cash equivalent	10.2	8.8	7.7	40.8
Accounts receivable	8.3	1.8	7.5	39.5
Inventory	49.5	36.1	44.9	237.0
Other current assets	27.5	17.1	21.7	114.6
Total current assets	**95.4**	**63.8**	**81.8**	**432.0**
Net fixed assets	31.6	21.7	27.4	144.8
Intangible assets	19.6	18.0	17.6	93.1
Other non-current assets	1.6	5.6	2.5	13.1
Total non-current assets	**52.7**	**45.3**	**47.5**	**251.0**
Total assets	**148.1**	**109.2**	**129.3**	**682.9**
Bank overdrafts and short-term borrowings from financial institution	0.0	25.0	50.0	264.0
Accounts payable	29.1	17.0	16.2	85.3
Other payables	111.8	38.2	3.5	18.3
Other current liabilities	31.1	25.1	26.8	141.4
Total current liabilities	172.0	105.3	96.4	509.0
Total liabilities	**172.0**	**105.3**	**96.4**	**509.0**
Share capital	75.5	53.5	53.5	282.7
Capital reserve	0.1	0.1	0.1	0.7
Surplus common reserve	15.5	4.5	4.5	23.9
Retained profit	(114.9)	(54.3)	(25.2)	(133.2)
Total shareholders' equity	**(23.9)**	**3.8**	**32.9**	**174.0**
Total liabilities and shareholders' equity	**148.1**	**109.2**	**129.3**	**682.9**

Source: Kaifeng's audited financial statements prepared by Kaifeng Yicheng, China

Note: [(1)]Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

Key Financial Ratio[(1)]

Unit: Percent (Unless otherwise stated)	12 months periods ending on			3 months periods ending on	
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013[(2)]	31 Mar2014[(2)]
Gross profit margin	11.8	13.8	15.1	15.0[(3)]	18.8[(3)]
Earnings before interest and tax margin	4.2	6.2	6.3	5.4[(3)]	5.8[(3)]
Net profit margin	4.0	4.7	4.5	3.6[(3)]	4.0[(3)]
Return on equity[(2)]	-	800.3	88.3	204.4[(4)]	43.5[(4)]
Net debt to equity[(2)] (times)	-	4.2	1.3	1.5	1.3

Unit: Percent (Unless otherwise stated)	12 months periods ending on			3 months periods ending on	
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013[2]	31 Mar2014[2]
Debt to equity[2] (times)	-	6.5	1.5	6.4	1.4

Source: Kaifeng's audited financial statements prepared by Kaifeng Yicheng, China, except for 1) 2011 – 2012 financial statements (include only animal feeds business for comparison with 2013 financial statements) prepared by Kaifeng's management which have not been audited or reviewed by the auditor and 2) Quarterly financial statements prepared by Kaifeng's management and has not been reviewed by the auditor

Note: [1] Calculated based on financial statements that include animal feeds business only

[2] Cannot calculate 12 months periods ending on 31 December 2011 due to negative shareholders' equity

[3] Calculated based on the particular quarterly financial statements

[4] Calculated annualized profit by multiplying quarterly net profit by 4 and divided by shareholder's equity based on latest quarterly balance sheet

Management Discussion and Analysis of Kaifeng

Operational Performance

- **Revenue**

In 2011, 2012 and 2013, Kaifeng generated total revenues from feeds of RMB 611.4 million, RMB 654.6 million and RMB 647.3 million, respectively. In 2013, Kaifeng's portions of revenues from poultry, swine and aquaculture feed business were 48.4%, 26.2% and 25.4%, respectively. Kaifeng's total revenue in 2013 declined from 2012 by 1.1%. The decline was due to the outbreak of swine flu and avian flu in China which caused a decline in demands for animal feed industry. In 2013, Kaifeng's average volume sold declined by 4.4%. However, the average prices of all Kaifeng's products increased by 3.4% due to a pass-on from increasing in cost of raw materials such as soybeans and fishmeal.

Total revenues from feeds for three months period ended March 2014 was RMB 101.4 million, a decline of 10.0% from RMB 112.6 million for the three months period ended March 2013. The decline was due to the unusually cold winter which rendered the livestock to consume less animal feed.

- **Gross profit margin ("GPM")**

In 2011, 2012 and 2013, Kaifeng's gross profit margin has gradually increased from 11.8% to 13.8% and to 15.1%, respectively. This was due to the growth in proportion of swine feed sales which has higher GPM than other type of animal feed products. Kaifeng also partnered with its affiliated companies within the CPG group to provide additional full-range services for swine feed customers. These additional services, which include technical advice on breeding and raising high quality pigs, helped increased Kaifeng's swine feed sales and hence improve the company's overall gross margin.

GPM for the three months ended 31 March 2014 was 18.8%, higher than GPM for the three months ended 31 March 2013 at 15.0%. The higher GPM was the result of a higher proportion of sales in swine feed product that has higher GPM than aquatic and poultry products.

■ **Selling and admistrative expenses ("SG&A")**

In 2011, 2012 and 2013, total SG&A expenses was RMB 46.2 million, RMB 50.1 million and RMB 57.0 million (include non-operating profit of RMB 1.3 million), respectively. The increase in SG&A expenses is proportionate to the increase in total revenues.

SG&A for the three months ended 31 March 2014 was RMB 13.1 million, an increase from RMB 10.8 million from the three months ended 31 March 2013. The increase in SG&A was due to higher selling expenses.

■ **Net profit**

In 2011, 2012 and 2013, net profit was RMB 24.7 million, RMB 30.7 million and RMB 29.1 million, respectively. The respective net profit margin was 4.0%, 4.7% and 4.5%, respectively. The decline in net profit and net profit margin in 2013 was due to the outbreak of swine flu and avian flu which lowered Kaifeng's total revenue while fixed costs, such as wages and utility expenses, slightly increase.

Net profit for the three months ended 31 March 2014 was RMB 4.0 million, unchanged from net profit for the three months ended 31 March 2013 of RMB 4.0 million. Net profit margin also increased from 3.6% in the three months period ended 31 March 2013 to 4.0% in the three months ended 31 March 2014. The improvement in net profit margin was attributed to the rise in the proportion of sales from swine feed products.

Financial Position

■ **Asset**

In 2011, 2012 and 2013, total asset was RMB 105.2 million, RMB 109.2 million and RMB 129.3 million, respectively. The increase in total asset is due to an increase in account receivables which has increased from RMB 0.1 million in 2011 to RMB 1.8 million in 2012 and to RMB 7.5 million in 2013 as Kaifeng has increased credit terms for some customers. However, this is still consistent with Kaifeng's overall credit policies and procedures. In 2011, 2012 and 2013, inventory was RMB 44.1 million, RMB 36.1 million and RMB 44.9 million, respectively. In addition, net fixed assets in 2011, 2012 and 2013 was RMB 22.6 million, RMB 21.7 million and RMB 27.4 million due to additional investment.

■ **Liability**

In 2011, 2012 and 2013, total liability was RMB 132.1 million, RMB 105.3 million and RMB 96.4 million, respectively. Despite the significant increase in short-term borrowings which Kaifeng borrowed to fund working capital of RMB 25.0 million in 2012 and RMB 50 million in 2013, other payable decreased from RMB 75.5 million in 2011 to RMB 38.2 million in 2012 and to RMB 3.5 million in 2013 due to payment to other creditors.

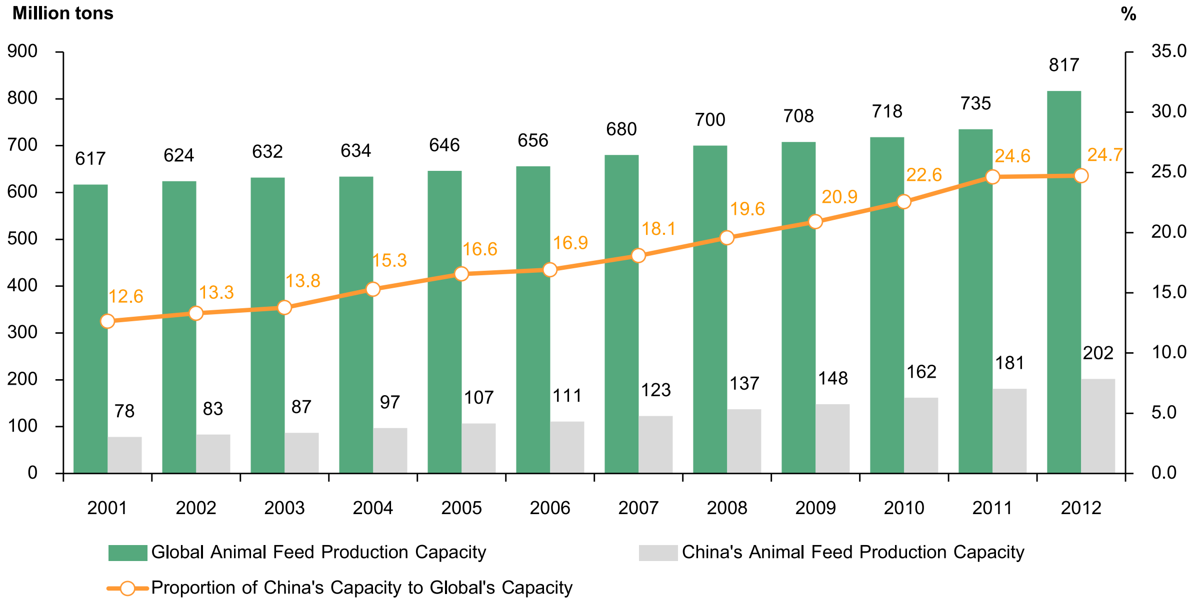
■ **Shareholder's equity**

In 2011, 2012 and 2013, shareholder's equity was RMB (26.9) million, RMB 3.8 million and RMB 32.9 million, respectively. Shareholders' equity was negative and relatively low during those period due to negative retained earnings of RMB 85.1 million, RMB 54.3 million and RMB 25.2 million, respectively. Negative retained earnings decrease as a result of Kaifeng's positive and increasing net profit in every year.

2.2.3.5 Animal Feed Industry in China

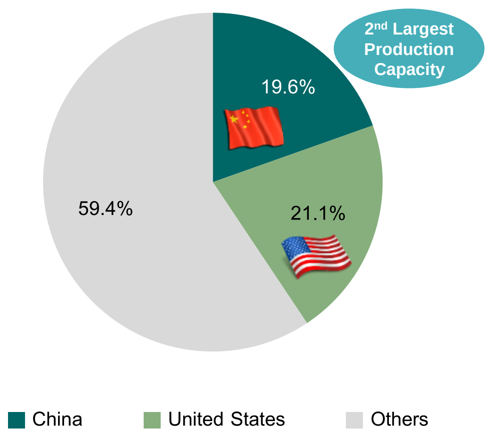
Animal feed industry is one of the most important industries to the Chinese economy. According to Feed International and Official Statistics of China, global production of compound feed in 2001 was 617 million tons while China's production was 78 million tons, accounting for only 12.6% of global feed production. However, in 2012, global production of compound feed increased to 817 million tons while China's production increased to 202 million tons, accounting for 24.7% of global feed production, causing China to become the world largest feed producer.

Animal Feed Production Capacity from 2001 – 2012

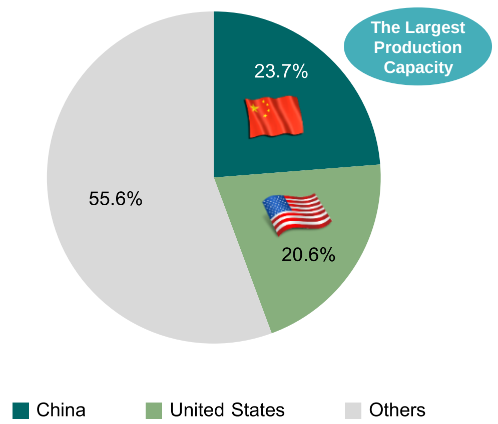


Source: Feed International and Official Statistics of China

Global Animal Feed Production Capacity in 2008



Global Animal Feed Production Capacity in 2012



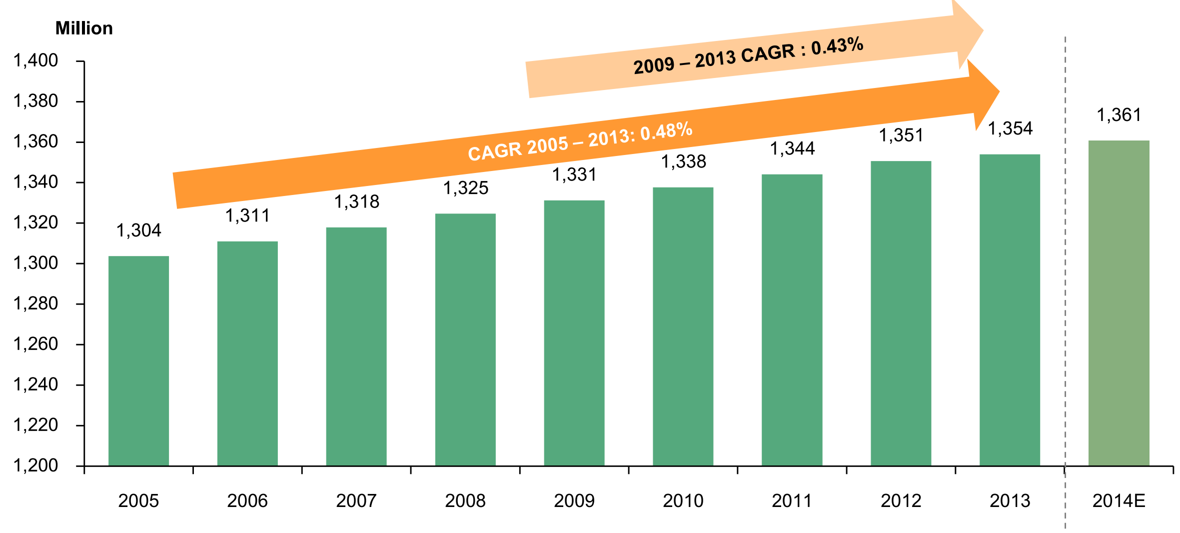
Source: Feed International and Official Statistics of China and AFIA

Factors that Affect Demand of Animal Feed in China

- **Continuous increase of population in China resulted in higher demand for food**

China has the highest number of population in the world. In 2013, China has a population of over 1,354 million people increased from 1,304 million in 2005, represented a compound annual growth rate (**"CAGR")** of 0.48%. National Bureau of Statistic of China has estimated that the population would grow to 1,361 million in 2014. A growing number of population drives demand for food in China, which in turn increases the demand for animal feed.

Population in China



Source: National Bureau of Statistic of China and World Bank

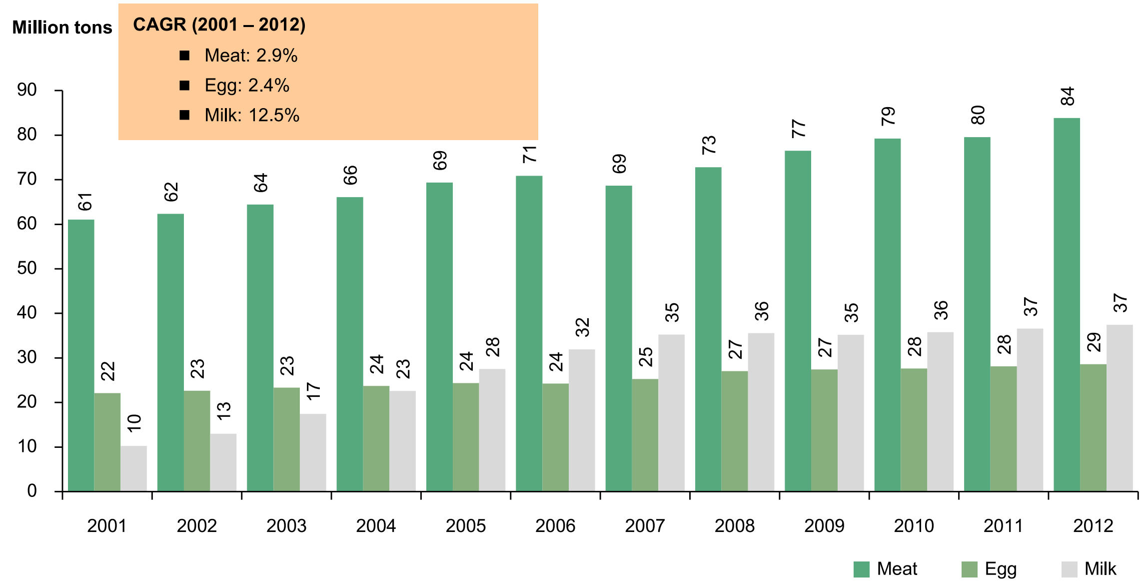
- **Increase in income and better distribution of income to outskirt resulted in higher demand for better quality of food, particularly protein**

A growing economy in China has granted its population a better standard of living. This is shown by an increase in gross domestic product ("**GDP**") per capita from USD 3,151 in 2001 (THB 102,943 per capita, exchange rate of THB 32.67 / USD as of 20 May 2014) to USD 10,960 in 2012 (THB 358,063 per capita), which represent a CAGR of 12.0%.

Rising income contributes to an increase in demand for higher quality food. People have switched from high carbohydrate and vegetable diet to a relatively more expensive high protien diet, such as meat, milk and eggs. According to China Feed Industry Association, the production of high protien diet has increased rapidly. Between 2001 and 2013, the CAGR in the production of meat, egg and milk was 2.9%, 2.4% and 12.5%, respectively. The increase in the consumption of high protien diet has contributed to the continuous growth in the animal feed industry.

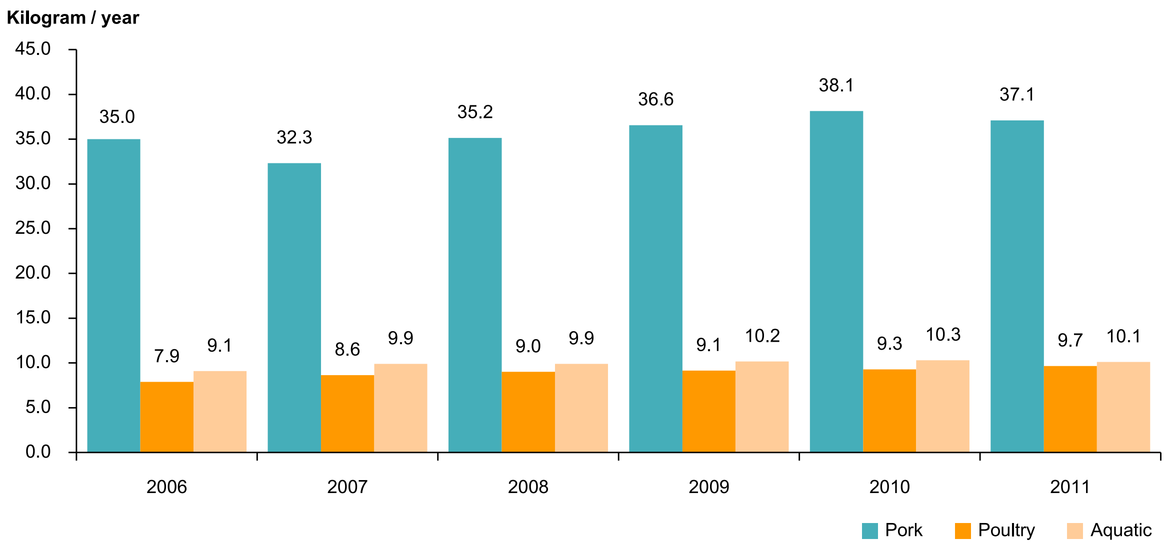
Moreover, swine meat was by far the most popular meat choice among Chinese. In 2011, Chinese consumed, on average, 37.1 kilogram of swine meat per person per annum, significantly higher than poultry or fish.

High Protien Diet Production Volume in China



Source: China Feed Industry Association

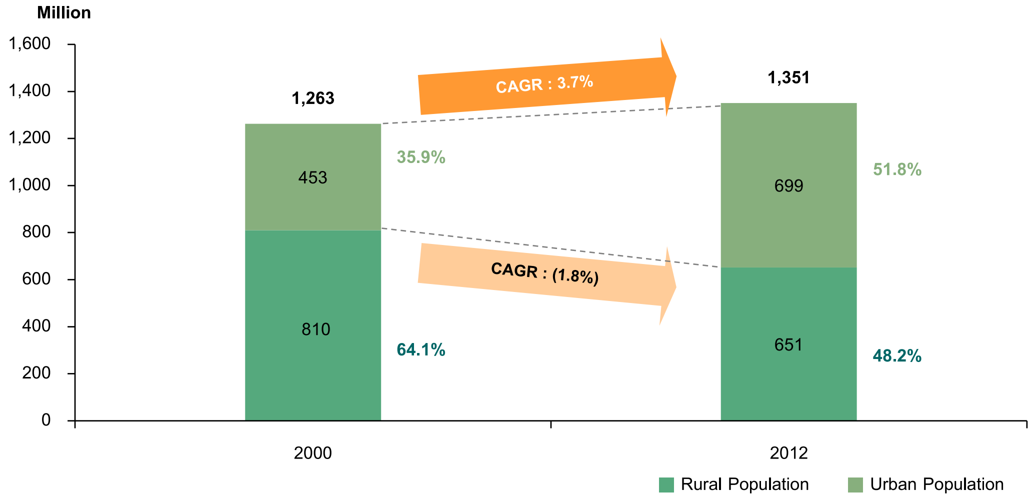
Meat Consumption per Capita in China



Source: United States Department of Agriculture

There has been a change in Chinese population structure in which people move from rural area to urban area. Population in urban area has been growing at a CAGR of 3.7% between 2000 and 2012. Growing urban population is a positive driver to animal feed industry because people in the cities tend to consume more meat than people in rural area. Thus, a growing urban population would increase demand for meat and consequently demand for animal feed.

Number of Population in Urban and Rural Area in China



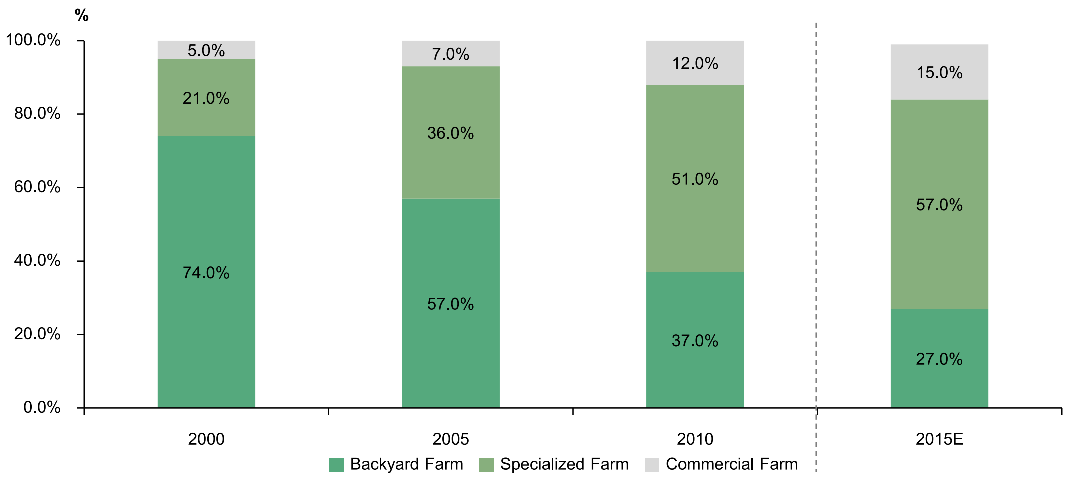
Source: World Bank

- **Higher swine production efficiency in China**

China's Ministry of Agriculture has categorized pigs farming into three different types: 1) Backyard Farm with less than 49 pigs per farm, 2) Specialized Farm with 50 to 3,000 pigs per farm and 3) Commercial Farm with more than 3,000 pigs per farm.

Since pork is the most popular choice of meat in China, the transformation of pig farming will have profound impact on the feed industry. According to China's Ministry of Agriculture, specialized farming and commercial farming have increased significantly due to the rise in consumer demand for pork. In addition, consumers also demand higher quality pork, which put pressures on farm operators to improve the swine production process to be more efficient and with higher standard, which also results in increasing demand for higher quality of animal feed.

Proportion of Different Types of Swine Farms in China

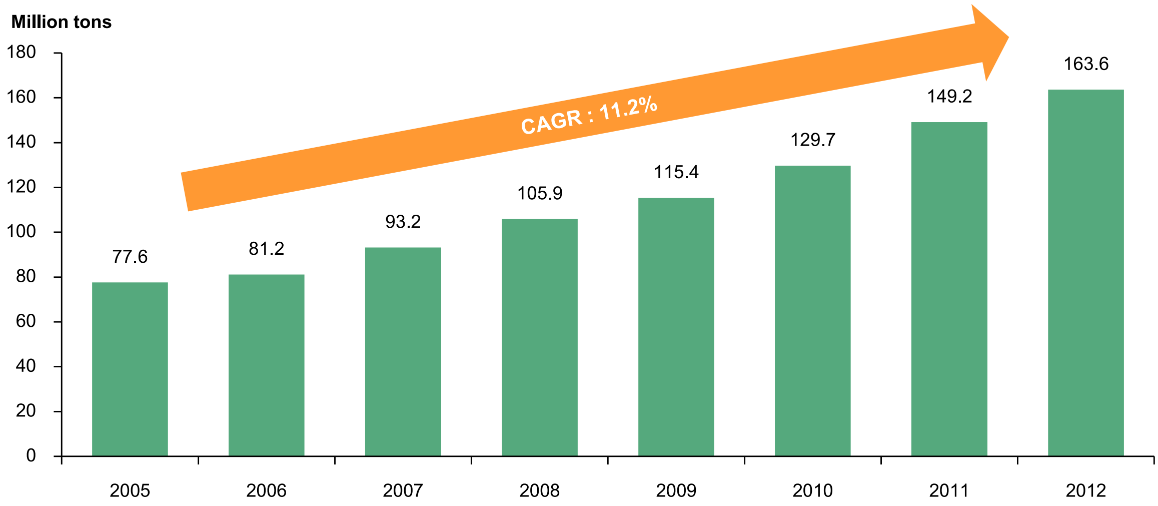


Source: Ministry of Agriculture of China

- **Feed users demand convenience and easy-to-use products**

The ready-to-use feed has become increasingly more popular among animals farmers, driven by changes in consumers preference for more convenient and easy-to-use products. This results in the continuously growing production of compound animal feed products. In 2012, China produced 163.6 million tons of compound animal feed, increasing from 77.6 million tons in 2005, represented a CAGR of 11.2%.

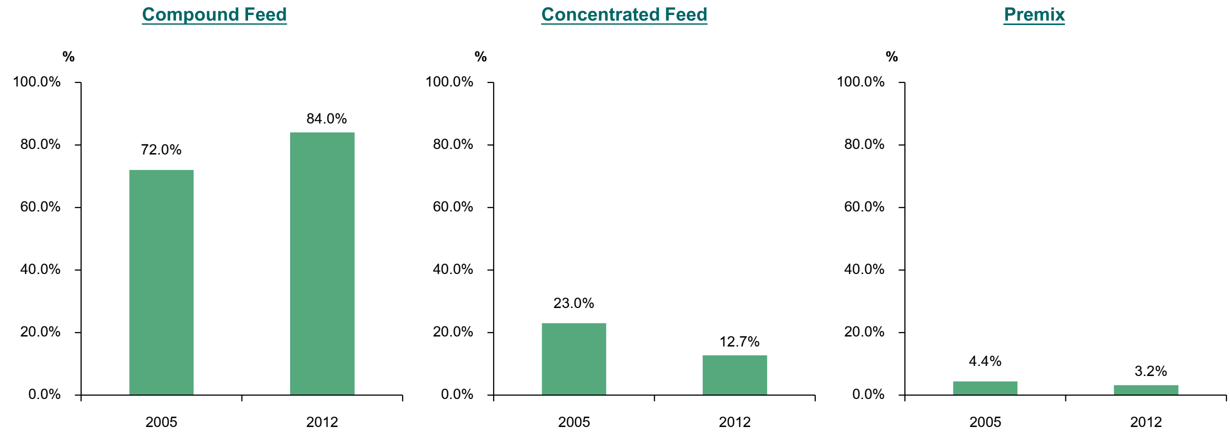
Compound Feed Production Volume in China



Source: China Feed Industry Association

The production of concentrated feed and premix feed are also declining as a result of the aforementioned reasons. According to statistics from China Feed Industry Association, compound animal feed made up 84.0% of all animal feed production in 2012, increased from 72.0% in 2005. This represented a CAGR of 2.2%.

Each Feed Type Production Proportion in China



Source: China Feed Industry Association

Note: Proportion of other type of feed is 0.6% in 2005 and 0.1% in 2012

- **Demand for higher feed quality**

Today, the Chinese concerns more on the quality of food products. Since the chemically contaminated food and milk powder incidents in 2008, the Chinese Government has imposed stricter regulations on food quality requirement and introduced the National Husbandry Development of the Chinese issue no. 12, which specified that 95% of all components of animal feed products must meet the required government standards. Moreover, dangerous supplementary and banned chemical components must not exceed 0.1% of the total components. This is in response to changes in consumer preferences that demand not only for high quality food products, but also for the quality and safety of animals feed.

- **Location of feedmill in China**

In China, feedmills are mostly located near the coastal areas. Guangdong and Shandong Provinces have the first and the second highest production capacity, respectively. Henan Province, which is where Kaifeng is located, is the third highest with 12.6 million tons of animal feed production in 2011 valued at RMB 32.9 million; this accounts for 14.9% of all feed production in China.

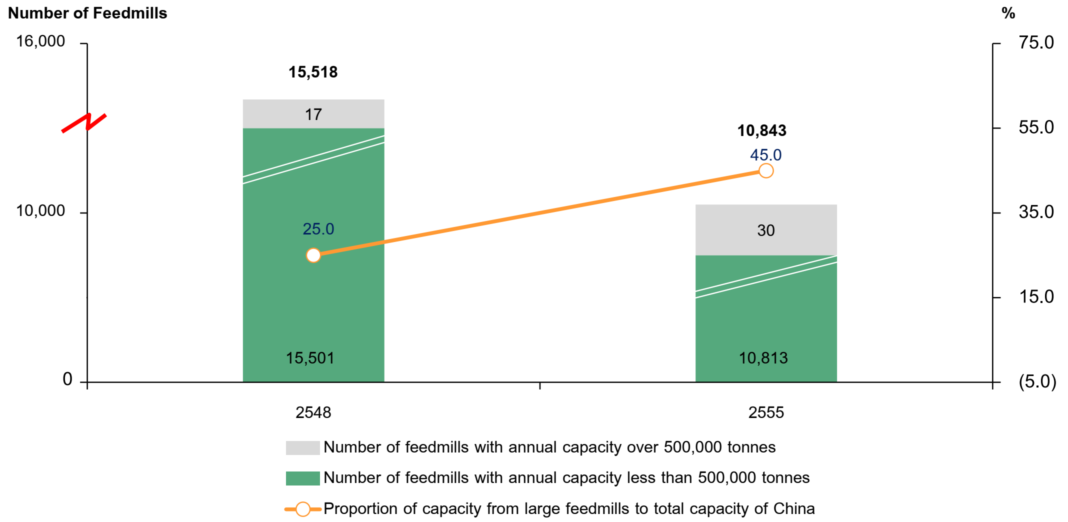
One of the major factors that affect the operating performance of feed production is feedmill location, which will dictate the demand for feed, the cost of productions and logistic. According to the Henan Animal Husbandry Bureau's forecast, the feed industry in Henan is estimated to grow at a faster pace than in other provinces in China. The rising population in Henan Province (the third most populated province in China) led to higher consumption of meat products, larger numbers of animal farms and thus higher demand for animal feeds. Furthermore, Hernan Province also grow corn which is one of the main raw materials for manufacturing animal feed.

Factors that Affect Supply of Animal Feed in China

- **Consolidation of animal feed business in China**

During the past 10 years, China's feed industry has transformed significantly. There has been a trend toward consolidation of the industry to leverage the economies of scale and technology in order to lower per unit cost of production. In 2012, there were a total of 10,843 feedmills in China, a decline from 15,518 feedmills in 2005. This is equivalent to an annual decline rate of 5.3%. In addition, the number of companies with production capacity of more than 500,000 tons per year has greatly increased from 17 feedmills in 2005, accounting for 25.0% of total feed production capacity, to 30 feedmills in 2012, accounting for 45.0% of countrywide feed production capacity. In addition, the Chinese government aims to expand feed production capacity across the country and expects 50% of all production capacity to come from only 50 major feedmills.

Number of Feedmills



Source: China Feed Industry Association

The consolidation of feed companies, the growth of high capacity feed producers and the increased intensity of competition are severely affecting small feed producers. The larger feed producers have the advantage of higher production efficiency, economies of scale and stronger bargaining power over the smaller producers.

In addition, animal feed businesses today have adopted advanced technology to increase production efficiency such as using automatic machines to control quality, increase production capacity, control production costs and ensure safety within the factories. The technology will help reduce potential animal diseases; hence, raise efficiency and quality of the products.

Factors that Affect Feed Price in China

- **Availability of raw material**

Feed raw material production has a direct impact on feed price. There are 3 main raw materials for animal feed which include corn, soybean and fishmeal.

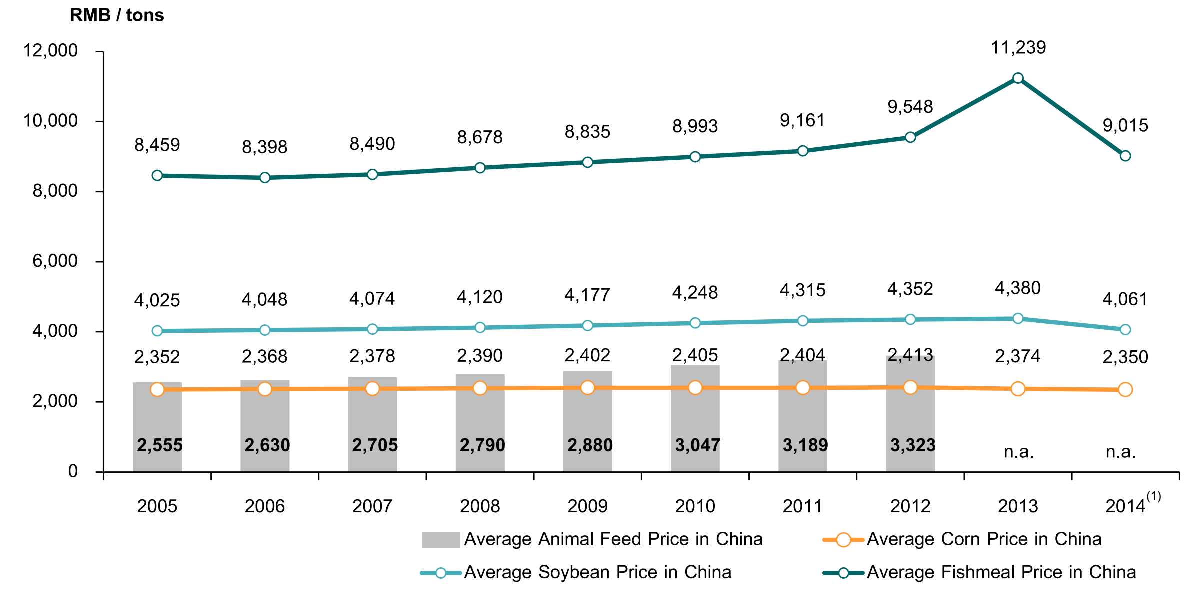
Corn price has been on an upward trend from 2005 to 2012. This is due to the fact that the growth rate in demand for corn in China is higher than the growth rate of the domestic corn production. The government environmental control policy has limited the area for expansion of corn production. Due to the above reasons, China started to import 1.0 million tons of corn in 2011. The import volume increased to 5.2 million tons in 2012 and 2.7 million tons in 2013. According to United State Department of Agriculture, China is expected to import 7.0 million tons of corn in 2014, an increase of 159.3% from 2.7 million tons in 2013.

Soybean production in China has been decreasing in recent years due to government policy to guarantee corn prices, which encourages soybean producers to switch to producing corn for a better return. Moreover, a drought in over 30 countries around the world in 2012 had a negative impact on global soybean production. These factors have caused soybean price to increase in 2012. However, United States Department of Agriculture estimates global soybean production to increase between 2014 and 2015, which should put downward pressure on the price of soy bean from the beginning of 2014.

China is the biggest importer of fishmeal and most of the fishmeal being processed to feed is imported since China cannot produce fish meal domestically. China primarily imports from main producers such as Chili and Peru. Between 2012 and 2013, fishmeal price rose over 17.7% because of the shortage of fishmeal raw material caused by El Nino phenomenon and an excessive fishing in Peru. In 2013, fishmeal production in Peru decreased by 26.0% which put an upward pressure on fishmeal price. Due to these incidents, fishmeal price is still volatile and could rise again in the future.

Because of raw material price has increased continuously, animal feed prices also increase accordingly. Feed manufacturers especially those who operate with full services (animal breeders, herdsman and animal purchaser) have power to set the price based on production costs and pass-on the production costs to farmers. Thus, higher price of raw materials may not adversely impact animal feed producers.

Price of Raw Materials and Average Animal Feed Price in China



Source: Reuters

Note: (1) Average price from January to April 2014

- **Intensed competition on price and quality of feed**

There is a high level of competition in the animal feed industry. The competition does not focus only on price, but also on the quality. Consumers also value food safety and demand for high quality foods resulted in higher demand for premium animal feeds. Hence, manufacturers can charge higher price for higher quality feeds.

2.2.4 Valuation and Source of Fund for the Acquisition of the Entire Investment in Kaifeng

Total consideration to acquire 100.0% of investment in Kaifeng from CTA is RMB 311 million or approximately THB 1,642 million (Exchange rate of THB 5.28 / RMB as of 20 May 2014). The acquisition consideration will be funded by CPP's internal cash and will be paid within 6 months after the closing date (the date that shareholders of the Company and CPP have approved the transaction and conditions precedent agreed in the share purchase agreement are completed). With the conditions of offer price and opportunity to operate Kaifeng in the future, acquisition price was negotiated between the purchaser and the seller at Arm's Length basis by taking historical and future performance into consideration. Implied Price to Earnings Multiple from the acquisition price is 10.7x, which is the same multiple as those used by CPP to acquired feedmills in 2009 and in early 2014.

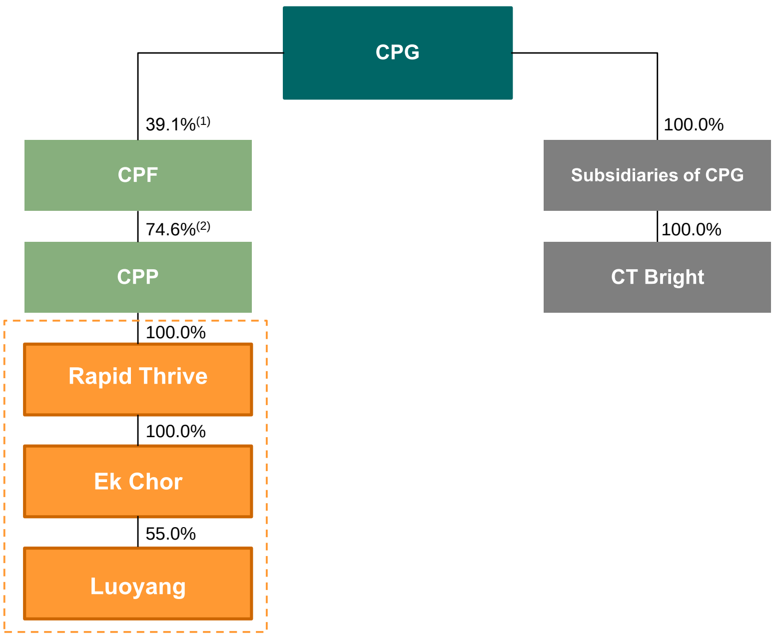
2.3 Overview of the Disposal of the Entire Investment in Rapid Thrive

2.3.1 Background, Type and Relationship of the Connected Person in the Connected Transaction

The Company has a policy to focus only on its core business, the agro-industrial and food business or core-related business. Therefore, the Company has an intention to dispose its non-core motorcycle manufacturing business. The Disposal of the Entire Investment in Rapid Thrive to CT Bright is considered a connected transaction since CT Bright and CPF both have CPG as their major shareholder. As a result, the Disposal of the Entire Investment is classified as connected transaction related to assets or services in compliance with The Notifications regarding Connected Transactions.

Relationship of connected persons are shown as follows:

Pre-transaction Shareholding Structure



Source: Shareholding structure as of 12 May 2014

Note: (1) CPG Group includes (1) 25.00% by CPG (2) 11.48% by Charoen Pokphand Holding Co., Ltd. and (3) 2.65% by Orient Success International Limited and excludes CPF's subsidiaries, which are (1) 2.68% by CPF (Thailand) Public Company Limited (2) 1.07% by Bangkok Produce Company Limited (3) 0.83% by Plenty Type Limited, these companies together hold 4.58%

(2) Shareholding includes both common and convertible preferred shares; if excludes convertibles preferred shares, shareholding is 70.9%

As of 12 May 2014, the Company has connected persons in accordance with The Notifications regarding Connected Transactions who may have potential conflict of interests as follows:

- **Purchaser (CT Bright):**
  - CT Bright is an indirectly wholly owned subsidiary of CPG, who is a major shareholder of CPF

- **Seller (CPP):**
  - CPP is an indirect subsidiary of CPG, who holds 74.6% (including preferred shares) in CPP through CPF
- **Connected Person:**
  - CT Bright is an indirectly wholly owned subsidiary of CPG, who is a major shareholder of CPF
  - CT Bright has conflict of interest in acquisition of the entire investment in Rapid Thrive. CT Bright has to pay total consideration of USD 49.5 million or approximately THB 1,617 million to CPP (Exchange rate of THB 32.67 / USD as of 20 May 2014)

Pursuant to the board of directors' meeting of the Company no. 6 / 2014 on 21 May 2014, the board of director approved the Disposal of the Entire Investment in Rapid Thrive. Directors having conflict of interest and directors representing persons that have conflict of interest who did not attend the meeting and did not vote on the agenda are as follows:

Director's Name	Type of Conflict of Interest
1. Mr. Dhanin Chearavanont	Director of CPG
2. Mr. Prasert Poongkumarn	Director of CPG
3. Mr. Min Tieanworn	Director of CPG
4. Mr. Chingchai Lohawatanakul	Director of CPG
5. Mr. Phongthep Chiaravanont	Director of CPG

2.3.2 Conditions in the Disposal of the Entire Investment in Rapid Thrive

According to the share purchase agreement, CPP will receive a payment in cash within 6 months after the date that shareholders of the Company and CPP have approved the transaction and conditions precedent agreed in the share purchase agreement have been completed. The Disposal of the Entire Investment in Rapid Thrive completion is conditional upon approval from the Company's and CPP's shareholders. The approval shall be granted by a vote of not less than three-fourths of the total number of votes of the shareholders who have the right to vote, excluding the votes of the shareholders who have conflict of interest.

2.3.3 Details of Assets to be Disposed

2.3.3.2 Business Description

CPP established Rapid Thrive on 12 May 2014 in British Virgin Islands for internal business restructuring purposes. Rapid Thrive is an investment holding company that hold 100.0% of the issued share capital in Ek Chor, which is also an investment holding company. Rapid Thrive holds 2 types of investment in Ek Chor: share capital and shareholder's loan. The shareholder's loan profile is similar to an equity investment in that the loan has no specified principal repayment and zero interest rate.

Ek Chor was established in 17 April 1984 in Hong Kong. Ek Chor's core revenue is from its 55.0% holding of the issued share capital in Luoyang. Luoyang engages in the manufacturing and sale of motorcycles and motorcycle engines in

China. The other 45.0% of the issued share capital of Luoyang is held by Chinese partner, who has the Right of First Refusal if Ek Chor intends to sell its investment in Luoyang to a non-CPG related person.

Luoyang was established in March 1992 in China. The current registered capital is RMB 368.9 million. The company's business operation includes the design, manufacture and sale of motorcycles under Dayang brand, which is a reputable brand in the industry. Luoyang distributes motorcycles both domestically and export to other countries. Luoyang currently employs approximately 3,000 employees.

Luoyang started selling four-wheel motorcycle in late 2013 in respond to change in demand and received positive feedback from the market. In 2013, Luoyang generated RMB 1,211.0 million in revenue with domestic sale accounted for 73.6% of total revenue and export accounted for 26.4%.

Breakdown of Luoyang's Revenue in 2013 and First Quarter of 2014

	2013			1Q2014		
	RMB million	THB million[(1)]	%	RMB million	THB million[(1)]	%
Revenue from domestic sale	891.1	4,704.8	73.6	245.6	1,296.7	70.1
Revnue from export	319.9	1,688.8	26.4	104.8	553.6	29.9
Total revenue	**1,210.9**	**6,393.6**	**100.0**	**350.4**	**1,850.2**	**100.0**

Source: Internal financial statements prepared by Luoyang's management which have not been reviewed by the auditor

Notes: [(1)]Exchange rate of THB 5.28 / RMB (source: Bank of Thailand as of 20 May 2014)

2.3.3.3 Luoyang's Board of Directors

As of 30 May 2014, Rapid Thrive has 1 member of board of director as follows:

First Name	Last Name	Position
1. Mr. Robert Ping-Hsien	Ho	Director

As of 30 May 2014, Ek Chor has 4 members of board of directors as follows:

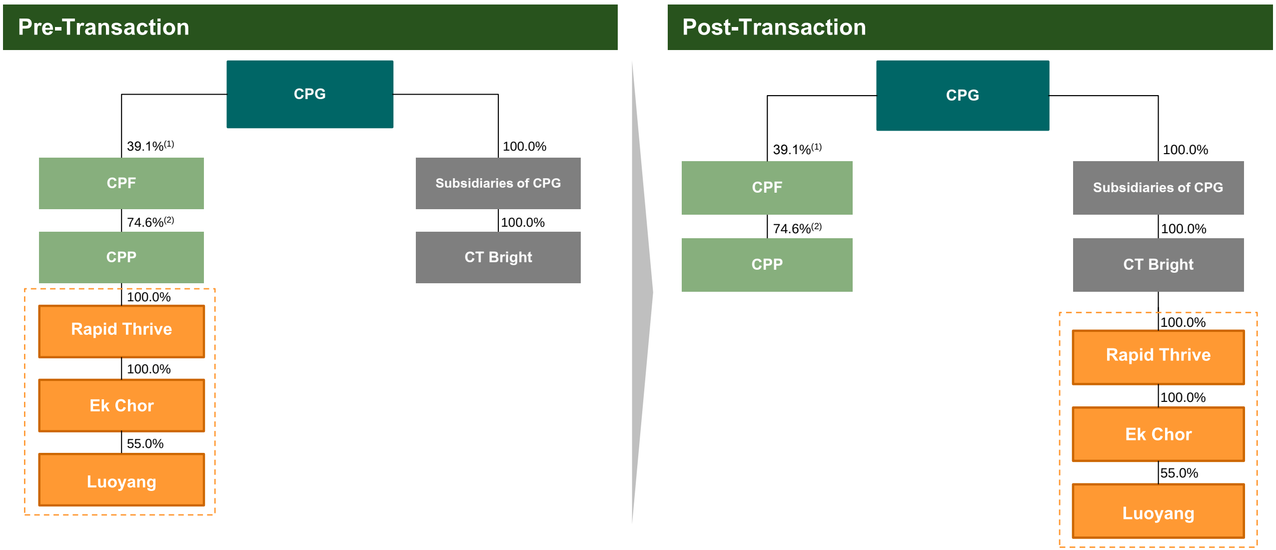
First Name	Last Name	Position
1. Mr. Sumet	Chearavanont	Director
2. Mr. Thanakorn	Seriburi	Director
3. Mr. Prasertsak	Ongwattanakul	Director
4. Mr. Robert Ping-Hsien	Ho	Director

As of 30 May 2014, Luoyang has 7 members of board of directors as follows:

First Name	Last Name	Position
1. Mr. Hong	Zhang	Director
2. Mr. Qinshan	Yuan	Director
3. Mr. Hong	Wang	Director
4. Mr. Nopadol	Chearavanont	Director

First Name	Last Name	Position
5. Mr. Prasit	Thongthanomkul	Director
6. Mr. Yongqiang	Zhou	Director
7. Mr. Botao	Liu	Director

2.3.3.4 Shareholding Structure of Rapid Thrive, Ek Chor and Luoyang Before and After the Disposal of the Entire Investment in Rapid Thrive



Source: Shareholding structure as of 12 May 2014

Note: (1) CPG Group includes (1) 25.00% by CPG (2) 11.48% by Charoen Pokphand Holding Co., Ltd. and (3) 2.65% by Orient Success International Limited and excludes CPF's subsidiaries, which are (1) 2.68% by CPF (Thailand) Public Company Limited (2) 1.07% by Bangkok Produce Company Limited (3) 0.83% by Plenty Type Limited, these companies together hold 4.58%

(2) Shareholding includes both common and convertible preferred shares, if excludes convertibles preferred shares, CPF's shareholding is 70.9%

2.3.4 Summary of Rapid Thrive's, Ek Chor's and Luoyang's Historical Operational and Financial Performance

Management Discussion and Analysis of Rapid Thrive

Operational Performance

Rapid Thrive is a holding company established on 12 May 2014. It only holds equity interests in Ek Chor and has no other assets. Rapid Thrive currently has no operational performance.

Financial Position

- **Asset**

Rapid Thrive's total assets include 100.0% equity interests in Ek Chor and loan to Ek Chor, which has no specified principal repayment and zero interest rate. On 12 May 2014, total investments value is USD 41.5 million, USD 11.4 million of which is the form of loan to subsidiary.

- **Liability**

Rapid Thrive's total liability is a loan from CPP, which has no interest and is callable on demand. On 12 May 2014, the loan equals to USD 41.5 million.

- **Shareholder's equity**

As of 12 May 2014, Rapid Thrive's shareholder's equity value totals USD 1.

Ek Chor's Consolidated Income Statement

	12 months period ending on				3 months period ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**USD million**	**USD million**	**USD million**	**THB million[(1)]**	**USD million**	**USD million**	**THB million[(1)]**
Revenue and other non-operating income[(2)]	2.0	1.6	1.3	43.6	0.2	0.2	7.0
Share of profit from investment	3.6	4.6	3.5	115.6	0.4	0.7	22.4
Total revenues	**5.6**	**6.2**	**4.9**	**159.2**	**0.6**	**0.9**	**29.4**
General and administrative expenses	2.0	1.6	1.6	50.8	0.5	0.3	8.7
Profit before financial cost and income tax	3.6	4.6	3.3	108.4	0.0	0.6	20.8
Net profit	**2.6**	**4.0**	**2.9**	**94.1**	**(0.0)**	**0.6**	**18.9**

Source: Financial statements in USD prepared by Ek Chor's management which have not been audited or reviewed by the auditor

Notes: Consolidated financial statements of Ek Chor are not audited or reviewed, please refer to Appendix 1 for stand alone financial statements of Ek Chor which have been audited by Ernst & Young and KPMG Hong Kong

[(1)]Exchange rate of THB 32.67 / USD (source: Bank of Thailand as of 20 May 2014)

[(2)]Includes changes in fair value of investment properties, rental income and other incomes

Ek Chor's Consolidated Balance Sheet

	As of						
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**USD million**	**USD million**	**USD million**	**THB million[(1]**	**USD million**	**USD million**	**THB million[(1]**
Cash and cash equivalent	1.9	4.3	0.1	2.8	4.3	7.1	231.7
Dividend receivables	0.0	0.0	0.0	0.0	0.0	3.7	120.0
Other current assets	2.4	0.1	0.3	11.2	0.2	0.5	16.5

	As of						
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**USD million**	**USD million**	**USD million**	**THB million**(1	**USD million**	**USD million**	**THB million**(1
Total current assets	**4.3**	**4.4**	**0.4**	**14.0**	**4.4**	**11.3**	**368.1**
Investment Properties	6.2	7.6	8.3	269.9	7.6	8.3	269.9
Investment in a joint venture	43.3	44.5	45.8	1,495.6	45.5	42.4	1,386.9
Non-current assets	0.8	0.3	0.2	7.3	0.3	0.2	7.3
Total non-current assets	**50.3**	**52.3**	**54.3**	**1,772.9**	**53.4**	**50.9**	**1,664.1**
Total assets	**54.6**	**56.8**	**54.7**	**1,786.8**	**57.8**	**62.2**	**2,032.2**
Due to CPP Group companies	21.7	21.1	14.4	469.9	21.6	21.6	705.6
Other current liabilities	4.6	3.0	3.1	101.8	3.1	3.5	114.1
Total current liabilities	**26.3**	**24.1**	**17.5**	**571.7**	**24.6**	**25.1**	**819.7**
Total non-current liabilities	**0.6**	**0.8**	**0.9**	**27.8**	**0.8**	**0.5**	**17.5**
Total liabilities	**26.9**	**24.9**	**18.3**	**599.5**	**25.5**	**25.6**	**837.2**
Issued capital	3.6	3.6	3.6	118.5	3.6	3.6	118.5
Reserves	24.0	28.2	32.7	1,068.7	28.7	32.9	1,076.5
Total equity	**27.6**	**31.8**	**36.3**	**1,187.3**	**32.4**	**36.6**	**1,195.0**
Total liabilities and equity	**54.6**	**56.8**	**54.7**	**1,786.8**	**57.8**	**62.2**	**2,032.2**

Source: *Financial statements in USD prepared by Ek Chor's management which have not been audited or reviewed by the auditor*

Notes: *Consolidated financial statements of Ek Chor are not audited or reviewed, please refer to Appendix 1 for stand alone financial statements of Ek Chor which have been audited by Ernst & Young and KPMG Hong Kong*

(1) Exchange rate of THB 32.67 / USD (source: Bank of Thailand as of 20 May 2014)

Management Discussion and Analysis of Ek Chor

<u>Operational Performance</u>

- **Revenue**

In 2011, 2012 and 2013, Ek Chor had total revenue of USD 5.6 million, USD 6.2 million and USD 4.9 million, respectively. Total revenue in 2012 had increased from 2011 due to an increased in profit sharing from Luoyang's higher net profit. Total revenue in 2013 decreased due to a decrease in Luoyang's net profit and a decrease in gain from changes in fair value of investment properties.

Total revenue for the three months ended 31 March 2014 was USD 0.9 million, increased from USD 0.6 million in the first quarter in 2013 as a result of higher share of profit from Luoyang.

- **Net profit**

In 2011, 2012 and 2013, Ek Chor's net profit was USD 2.6 million, USD 4.0 million and USD 2.9 million respectively. Net profit in 2012 increased from 2011 due to higher share of profit from Luoyang. In 2013, net profit decreased because share of profit in Luoyang decreased by USD 1.1 million.

Net profit for the three months ended 31 March 2014 was USD 0.6 million, increased from net loss of USD 7,000 in the first quarter in 2013, as a result of better financial performance of Luoyang and thus higher share of profit from Luoyang.

Financial Position

- **Asset**

In 2011, 2012 and 2013, Ek Chor's total asset was USD 54.6 million, USD 56.8 million and USD 54.7 million respectively. An increase in total asset in 2012 is a result of an increase in investments value in Luoyang and higher appraisal value of rental investment property. A decrease of total asset in 2013 due to using cash to repay liabilities.

At the end of the first quarter of 2014, majority of assets of Ek Chor include investments in Luoyang of USD 42.4 million, investments in rental investment property of USD 8.3 million, cash and cash equivalent of USD 7.1 million and dividend receivables of USD 3.7 million.

- **Liability**

In 2011, 2012 and 2013, Ek Chor's total liability was USD 26.9 million, USD 24.9 million and USD 18.3 million, respectively. Total liability has decreased during 2011 to 2013 as a result of a decrease in loan from CPP. In the first quarter of 2014, Ek Chor's total liability increased to USD 25.6 million due to an increased in loan from CPP.

At the end of the first quarter of 2014, Ek Chor's major liability item was loan from CPP of USD 21.6 million which has been partially paid back in April 2014. On 12 May 2014, the remaining shareholder loan of USD 11.4 million was owed to Rapid Thrive.

- **Shareholder's equity**

In 2011, 2012 and 2013, shareholder's equity was USD 27.6 million, USD 31.8 million and USD 36.3 million, respectively. Increase in shareholder's equity is a result of Ek Chor's ability to consistently generate net profit.

Luoyang's Income Statement

	12 months periods ending on				3 months periods ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million(1)**	**RMB million**	**RMB million**	**THB million(1)**
Revenue from domestic sale(2)	1,093.1	1,062.1	891.1	4,704.8	216.8	245.6	1,296.7
Revenue from export(2)	345.5	311.4	319.9	1,688.8	68.2	104.8	553.6
Total revenue	**1,438.6**	**1,373.5**	**1,210.9**	**6,393.6**	**285.0**	**350.4**	**1,850.2**
Cost of goods sold	1,314.7	1,252.8	1,103.9	5,828.6	263.6	313.5	1,655.2
Gross profit	**123.9**	**120.7**	**107.0**	**565.0**	**21.5**	**36.9**	**195.0**
Profit from other businesses	78.0	81.9	77.2	407.7	21.9	16.7	88.1
Selling and administrative expenses	158.0	147.5	143.9	759.8	40.0	44.9	237.3
Profit before financial cost, income	**43.9**	**55.1**	**40.3**	**212.9**	**3.3**	**8.7**	**45.8**

	12 months periods ending on				3 months periods ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million[(1)]**	**RMB million**	**RMB million**	**THB million[(1)]**
tax and investment income							
Investment income	10.6	15.1	26.3	138.7	3.6	4.2	22.4
Financial cost	0.9	(3.2)	2.9	15.1	0.7	(0.2)	(1.2)
Income tax	12.1	15.8	10.4	54.8	1.5	2.9	15.4
Net profit	**47.1**	**54.9**	**50.1**	**264.5**	**4.7**	**11.3**	**59.7**

Source: *Luoyang's 2011, 2012 and 2013 audited financial statements prepared by Luoyang Zhonghua, China and internal quarterly financial statements prepared by Luoyang's management which has not been reviewed by the auditor*

Note: *[(1]Exchange rate of THB 5.28 / RMB (source: Bank of Thailand as of 20 May 2014)*

[(2)]Revenue breakdown from financial statements prepared by Luoyang's management which have not been audited or reviewed by the auditor

Luoyang's Balance Sheet

	As of						
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million[(1)]**	**RMB million**	**RMB million**	**RMB million**
Cash and cash equivalent	75.1	30.3	109.1	576.1	42.6	104.2	550.0
Notes receivable	187.7	144.9	83.2	439.4	75.6	79.3	418.6
Account Receivable	50.8	59.0	56.1	296.2	76.2	76.1	402.0
Inventory	64.9	56.5	76.5	404.0	38.8	63.2	333.5
Non-curret asset expires in one year (financial assets)	207.4	321.3	330.4	1,744.3	346.6	368.5	1,945.9
Other current assets	17.8	6.8	22.7	120.0	20.9	24.4	129.0
Total current assets	**603.8**	**618.9**	**678.0**	**3,580.0**	**600.7**	**715.7**	**3,779.0**
PPE – net	241.9	220.5	219.6	1,159.5	223.0	214.1	1,130.7
Intangibles – net	13.1	11.6	11.5	60.6	11.3	11.9	62.7
Other non-current assets	37.7	48.0	26.0	137.5	43.3	32.1	169.4
Total non-current assets	**292.7**	**280.2**	**257.1**	**1,357.6**	**277.6**	**258.1**	**1,362.7**
Total assets	**896.5**	**899.1**	**935.2**	**4,937.6**	**878.3**	**973.8**	**5,141.7**
Notes payable	18.8	24.5	34.9	184.3	23.2	50.0	263.9
Account payable	191.1	169.2	182.7	964.6	167.7	211.0	1,113.9
Advance from customers	34.2	36.5	64.4	340.1	22.8	29.7	156.7
Employee salary payable	27.2	33.1	37.6	198.6	17.6	27.3	144.1
Other current liabilities	82.1	74.9	72.7	383.8	81.6	144.3	762.1
Total current liabilities	**353.4**	**338.2**	**392.3**	**2,071.4**	**313.0**	**462.3**	**2,440.7**
Total non-current liabilities	**23.5**	**27.3**	**15.1**	**79.7**	**27.5**	**17.6**	**92.8**

	As of						
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**RMB million**	**RMB million**	**RMB million**	**THB million[1]**	**RMB million**	**RMB million**	**RMB million**
Total liabilities	**376.9**	**365.6**	**407.4**	**2,151.1**	**340.4**	**479.8**	**2,533.5**
Paid in capital	368.9	368.9	368.9	1,947.9	368.9	368.9	1,947.9
Capital surplus	26.0	27.5	21.0	110.7	27.1	21.0	110.7
Earning surplus	124.7	137.2	137.9	727.9	141.8	104.1	549.6
Total equity	**519.6**	**533.5**	**527.8**	**2,786.5**	**537.9**	**494.0**	**2,608.2**
Total equity and liabilities	**896.5**	**899.1**	**935.2**	**4,937.6**	**878.3**	**973.8**	**5,141.7**

Source: Luoyang's 2011, 2012 and 2013 audited financial statements prepared by Luoyang Zhonghua, China and internal quarterly financial statements prepared by Luoyang's management which has not been reviewed by the auditor

Note: (1Exchange rate of THB 5.28 / RMB (source: Bank of Thailand as of 20 May 2014)

<u>Key Financial Ratios</u>

Unit: Percent (unless otherwise stated)	12 months periods ending on			3 months period ending on	
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013	31 Mar 2014[1]
Gross profit margin	8.6	8.8	8.8	7.5	10.5
Earnings before interest and tax margin	3.1	4.0	3.3	1.2	2.5
Net profit margin	3.3	4.0	4.1	1.6	3.2
Return on equity	9.1	10.3	9.5	3.5[2]	9.1[2]
Net debt to equity (times)	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)
Debt to equity (times)	0.0	0.0	0.0	0.0	0.0
Earnings before interest and tax and investment income to interest expenses (times)	47.9	n.m.	14.1	4.7	n.m.

Source: Luoyang's 2011, 2012, 2013 audited financial statements prepared by Luoyang Zhonghua,China and internal quarterly financial statements prepared by Luoyang's management which have not been audited or reviewed by the auditor

Note: (1)Calculated based on quarterly financial statements

(2)Calculated annualized profit by multiplying net profit for the quarter by 4 and divided by shareholder's equity based on latest quarterly balance sheet

Management Discussion and Analysis of Luoyang

<u>Operational Performance</u>

- **Revenue**

In 2011, 2012 and 2013, Luoyang generated total revenues of RMB 1,438.6 million, RMB 1,373.5 million and RMB 1,210.9 million, respectively. In 2013, the domestic sale and export accounted for 72.6% and 26.4% of the total revenues, respectively. In 2012 and 2013, the domestic sale, comprising sale of two-wheel motorcycles and motorcycle engines, declined due to the contraction in the Chinese motorcycle industry which resulted in a decline in motorcycles sale volume from 313,000 units in 2011 to 214,000 units in 2013. The export sale of motorcycles also experienced decline due to the political instability in export markets. The export sale volume dropped from 138,000 units in 2011 to 119,000 units in 2013.

Total revenues for three months ended March 2014 was RMB 350.4 million, an increase of 22.9% from RMB 285.0 million for three months ended March 2013. The increase in total revenues is due to new products launch which is four-wheel motrocycles.

Profit from other businesses include profit from after sale service, sale of spare parts and royalty fee on the use of “Dayang” brand. From 2011 to 2013, profit from other businesses amount to RMB 78.0 million, RMB 81.9 million and RMB 77.2 million, respectively.

- **Gross profit margin**

In 2011, 2012 and 2013, the gross profit margin remains relatively stable at 8.6%, 8.8% and 8.8% respectively. The improvement in GPM in 2013, despite the overall decline of the industry’s GPM, was due to the changes in the product mix that allow Luoyang to sell greater units of high profit margin motorcycles.

GPM for the first quarter of 2014 was 10.5% increased from 7.5% for the the first quarter of 2013. This was because Luoyang has launched a new product which is four-wheel motorcycles that have higher GPM than two-wheel motorcycle, which is experiencing lower GPM. In addition, Luoyang also recorded one-time discounts on certain raw materials for the first quarter of 2014.

- **SG&A**

In 2011, 2012 and 2013, total SG&A expenses was RMB 158.0 million, RMB 147.5 million and RMB 143.9 million, respectively. The decline in SG&A expenses is in line with the decline in total revenues during 2011 to 2013.

SG&A expenses for the first quarter of 2014 was RMB 44.9 million, increased from RMB 40.0 million for the same period in 2013. SG&A increased proportionately with an increase in total revenue.

- **Net profit**

In 2011, 2012 and 2013, net profit was RMB 47.1 million, RMB 54.9 million and RMB 50.1 million, respectively. The net profit margin was 3.3%, 4.0% and 4.1%, respectively. The improvement in net profit margin during 2012 and 2013 reflects improvement in investment income and profit from other businesses category such as after sale service, sale of spare parts and income fee on the use of “Dayang” brands. However, in 2013, net profit declined compared to 2012 because of the decline in the total revenue due to the contraction of the motorcycles industry in China.

For the first quarter of 2014, the company net profit was RMB 11.3 million, increased from RMB 4.7 million for the first quarter of 2013. This was due to increasing profit generated from new product which is four-wheel motorcycles. Net profit margin for first quarter of 2014 was 3.2%.

<u>Financial Position</u>

- **Asset**

In 2011, 2012 and 2013, Luoyang’s total assets was RMB 896.5 million, RMB 899.1 million and RMB 935.2 million, respectively. This was due to an increase in non-current asset expires in one year (financial asset) which increased from RMB 207.4 million in 2011 to RMB 330.4 million in 2013. During the same period, fixed assets continued to decline from

RMB 292.7 million, RMB 280.2 million to RMB 257.1 million, respectively. This was because depreciation expenses were larger than capital investment.

- **Liability**

In 2011, 2012 and 2013, total liability was RMB 376.9 million, RMB 365.6 million and RMB 407.4 million, respectively. This was mainly due to account payable, which decreased from RMB 191.1 million to RMB 169.2 million in 2012 and increased to RMB 182.7 million in 2013. Advance from customer also increased from RMB 36.5 million to RMB 64.4 million from 2012 to 2013.

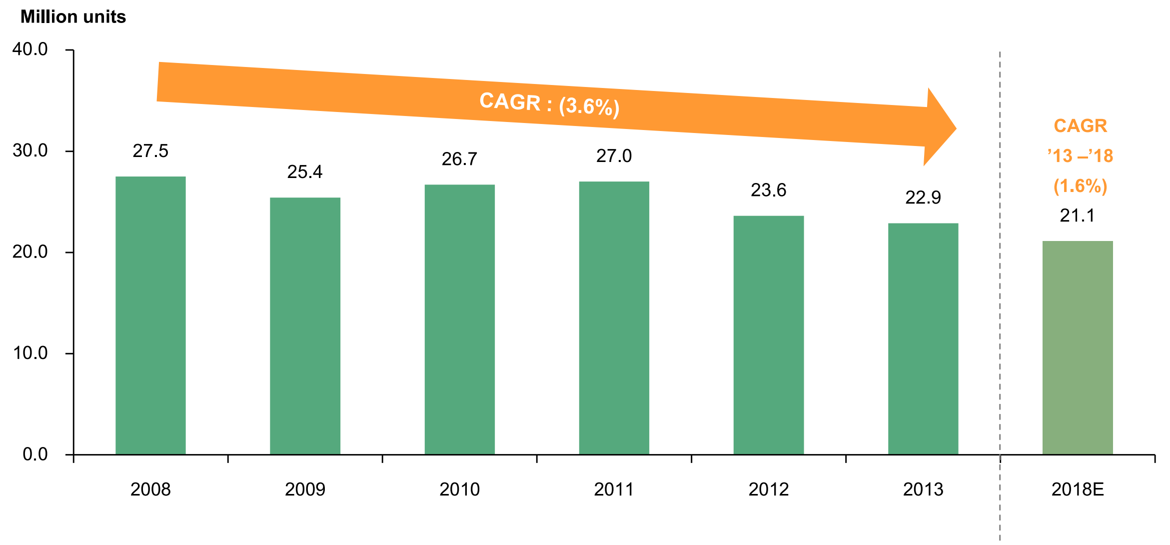
- **Shareholder's equity**

In 2011, 2012 and 2013, Luoyang's shareholder's equity was RMB 519.6 million, RMB 533.5 million and RMB 527.8 million, respectively. The relatively stable shareholder's equity reflects Luoyang's consistent dividend payout raito.

2.3.4.1 Analysis of Motorcycle Industry in China

China is the world's largest producer of motorcycles. According to Business Monitor International, global motorcycle production in 2013 was 50 million motorcycles. About 45.8% or 22.9 million motorcycles were manufactured in China. However, many external factors have directly and indirectly affected the Chinese motorcycle industry. China's motorcycles production has continuously declined. As reported by China Association of Automobile Manufacturers, the total production of motorcycles in China has declined from 27.5 million motorcycles in 2008 to 22.9 million motorcycles in 2013, which is equivalent to a decline at 3.6% CAGR. The production of motorcycle in China is forecasted to further drop to 21.1 million motorcycles by 2018.

Production Volume of Motorcycle in China



Source: China Association of Automobile Manufacturers and Business Monitor International as of May 2014

Factors that Affect Demand of Motorcycle in China

- **Change in regulation related to motorcycle industry in China**

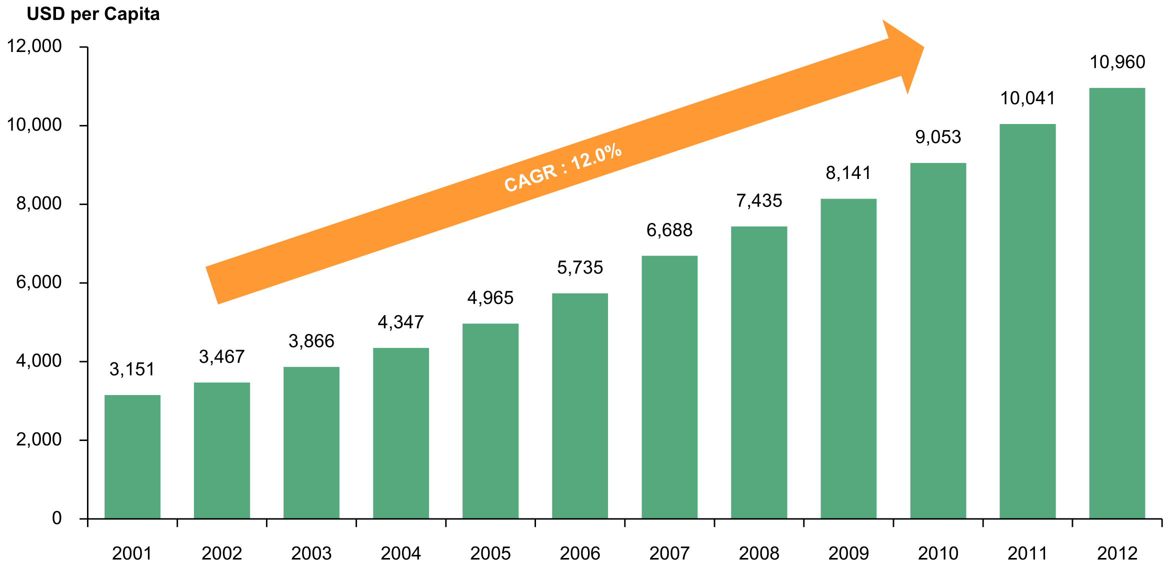
Environmental concerns have become big issues in China due to the rapid development of industry and the economy. Chinese government issued many environmental related policies to tackle the worsening environmental problems. One of the regulations imposed is the ban and the limit of motorcycles usage in many cities in China. According to Business Monitor International, over 100 cities have banned motorcycles from being used on highways. The use of motorcycles is banned in the city centres of Guangzhou and Hangzhou as well as in certain districts of Shanghai. In addition, the process in obtaining a motorcycles driving license is becoming more expensive and time consuming.

As a result of the new regulation, people in the relevant cities have to resort to alternative transpotation modes such as public transport, private cars and electric bicycles. According to Xinhua News Agency, the number of electric bicycle users is expected to have reached 200 million people in 2013.

- **Increase in income and urbanization**

A growing economy in China has granted its population a better standard of living. This is shown by an increase in gross domestic product ("**GDP**") per capita from USD 3,151 in 2001 (THB 102,943 per capita, exchange rate of THB 32.67 / USD as of 20 May 2014) to USD 10,960 in 2012 (THB 358,063 per capita), which represent a CAGR of 12.0%

GDP per Capita



Source: World Bank

Increase in income per capita leads to demand for a more convenient form of transporations. In the past, due to low income per capita, motorcycles were a popular choice of vehicles. As income increases, people are shifting towards more expensive vehicles that are more comfortable such as private cars, especially the more affordable compact cars. According to National Bureau of Statistics of China, the growth in the number of car ownership per 100 household has increased rapidly especially when compared to the growth in the number of motorcycle ownership per 100 household. Car ownership per 100 household has increased from 0.5 in 2000 to 10.9 in 2009. This is equivalent to the CAGR of 40.8%. In contrast, the number of motorcycle ownership per 100 household increased from 18.8 in 2000 to 22.4 in 2012. This is equivalent to the CAGR of 1.9%. In the rural area, car ownership per 100 household increased from 0.1 in 2000 to 0.7 in 2012. This is equivalent to the CAGR of 24.1%. Motorcycle ownership per 100 household in rural area increased from 21.9 in 2000 to 56.5 in 2012. This is equivalent to the CAGR of 11.1%. All information mentioned above was published before a transition in motorcycle industry has occurred.

Number of Vehicles per 100 Households	Urban Household			Rural Household		
	2000	2009	CAGR (%)	2000	2009	CAGR (%)
Automobiles	0.5	10.9	40.8	0.1	0.7	24.1
Motorcycles	18.8	22.4	2.0	21.9	56.6	11.1

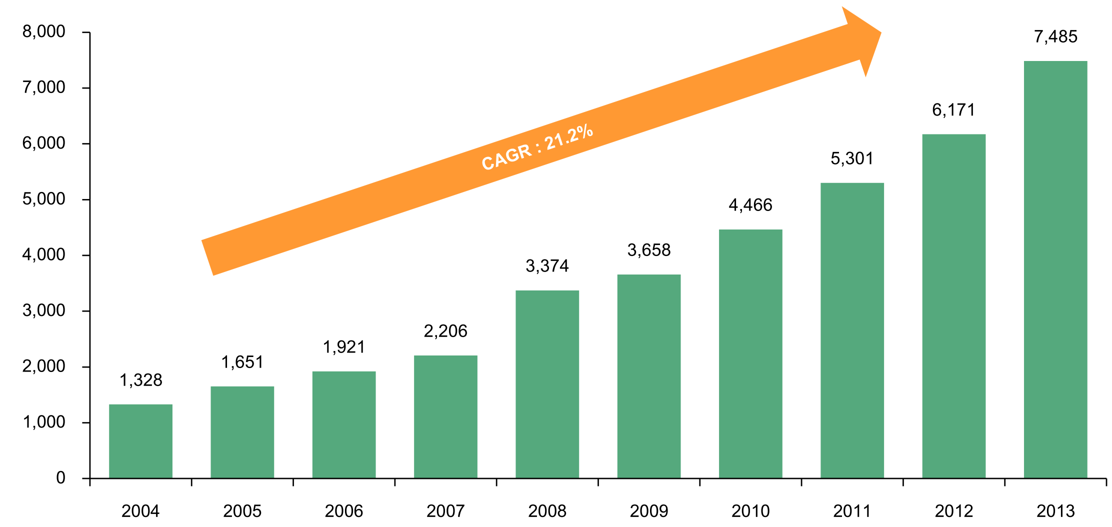
Source: National Bureau of Statistics of China

In addition to the increase in GDP per capita, the decline in price of private cars over the past few years has made private cars more affordable to larger number of people. The market expansion of car manufacturing companies into secondary cities and rural regions, as a result of market saturation in primary cities, has intensified the competitive pressure within the motorcycles industry.

- **Development of public transportation system in China**

The public transportation system in China, especially the rail road system, has improved significantly in recent years. According to IBISWorld, the number of passenger trips on urban electric rail transportation system was 7,485 million trips in 2013 compared to 1,328 million trips in 2004, which is equivalent to the CAGR of 21.2%. The electric rail transporation system in China continue to expand rapidly and is expected to have 85 lines with a total of 2,700 km coverage by 2016. The greater geographical coverage, transportation convenience and better transportation safety of electric rail system may convince more people to swtich from motorcycles to electric rail system as the primary mode of transportation.

Number of Trip on Urban Electric Rail Transportation System in China



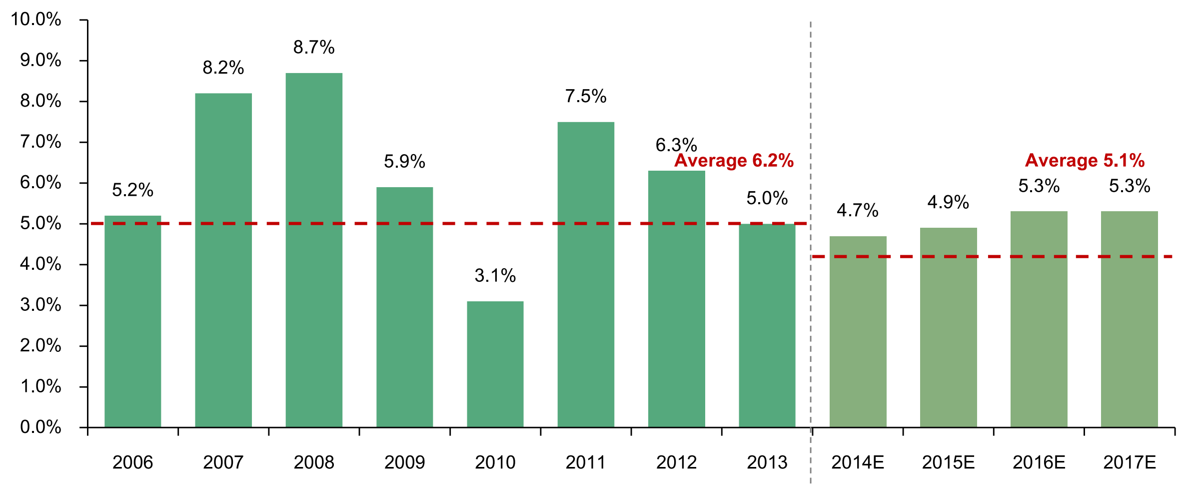
Source: IBISWorld

- **Development of developing economies**

In addition to the production of motorcycles for domestic sales, the production for export contributes significantly to the Chinese motorcycles industry. According to IBISWorld, export accounts for 28.5% of total revenues of the industry in 2012. Revenues from export are expected to increase and forecasted to account for 39.1% of total revenues of the industry by 2017.

Although it is expected that developing countries will have slower average GDP growth rate, from 6.2% per annum during 2006 – 2013 to 5.1% per annum during 2014 – 2017. This expected growth rate is still considered high and will contribute to global motorcycle demand accordingly.

GDP Growth Rate of Developing Countries



Source: International Monetary Fund

According to IBISWorld the top 10 countries with higher number of motorcycle imported from China are Nigeria, which accounted for 9.4% of total export revenues in 2011, followed by Argentina (6.3%), Myanmar (5.5%), Togo (4.7 %), Iran (3.8%), Mexico (3.8%), Venezuela (3.7%), Brazil (3.4%), Japan (2.7%) and Peru (2.7%), respectively.

- **Competitive landscape of motorcycle industry in China**

Motorcycle manufacturers in China can generally be categorized into 3 main groups, comprise of: 1) Manufacturers who produce their own brands of motorcycles such as Loncin Motor, who manufactures and sells under own brand Loncin; and Luoyang, which produces and sells motorcycles under Dayang brand. 2) Joint Venture between Chinese and foreign manufacturers and sell under the brands of foreign manufacturers, for example, Wuyang-Honda which sells motorcycles under Honda's brand. 3) Foreign manufacturers who import motorcycles for distribution in China such as Harley-Davidson. Manufacturers from group 1 and 2 make up most of the market share in the motorcycles industry in China. Group 3's market share is very small despite its high growth rate in recent years. According to IBISWorld, there were 209 motorcycle manufactures in China in 2012, most of which were small and medium size manufacturers that were less flexible in term of responding to changes in the industry trend.

New regulations that impose the ban and the limit of motorcycles usage in many cities, the shifting demand towards other form of vehicles due to increase in population's income and improvement in public transportation system have resulted in a steady decline in the demand for motorcycles. The decline in the demand for motorcycles has forced manufacturers to adopt new and differentiating strategies, penetrate new market segment such as rural regions which have not been impacted by the ban, increase export to developing countries, form a joint venture or partnership with foreign manufacturers to develop new technologies to create new selling points and differentiate products offerings to be competitive or expanding the scope of business to include manufacture and sale of machineries for industrial use and for agricultural use, in order to compensate for the decline in revenues from the sale of motorcycles.

Apart from facing diminishing domestic demand, motorcycles manufacturers in China are also affected by the Chinese government's attempt to alleviate pollution problem. The government has enforced a stricter regulation on motorcycle emission. As a result, motorcycle manufacturers bear higher production cost in developing production system to meet the required government standard.

IBISWolrd expects to see consolidation of the motorcycles industry in China in order to achieve the economies of scale, which help reduce per unit production costs and increase the ability to invest more in research and development function to develop new technologies and enhance competitiveness of manufacturers. The increasing competition in the motorcycle industry may negatively affect the profitability of some manufacturers who are unable to adapt to these changing or do not have enough capital to invest in new developments to improve competitiveness.

2.3.5 Valuation and Use of Proceeds for the Disposal of the Entire Investment in Rapid Thrive

Total consideration of the Disposal of the Entire Investment in Rapid Thrive to CT Bright is USD 49.5 million or approximately THB 1,617 million (Exchange rate of THB 32.67 / USD as of 20 May 2014). The Company plans to use the proceed from the sales of Rapid Thrive for its core business, the agro-industrial and food businesses. CT Bright will make payment in cash within 6 months after the date that shareholders of the Company and CPP have approved the transaction and conditions precedent agreed in the share purchase agreement have been completed. Value of the consideration was negotiated between the purchaser and the seller at Arm's Length basis based on the analysis of historical and forecasted future performance. Based on the disposal consideration of USD 49.5 million or approximately THB 1,617 million (Exchange rate of THB 32.67 / USD as of 20 May 2014) and the net profit of Ek Chor for the year 2013 of approximately USD 2.9 million approximately THB 94.1 million (Exchange rate of THB 32.67 / USD as of 20 May 2014), the implied Price to Earnings multiple will be 17.1 times.

3. Summary of the Company

3.1 Overview of Business

CPF Group is an agro-industrial and food conglomerate which operates a vertically integrated business model. The vertically integrated businesses are further categorized into 4 main businesses as follows:

1) Feed Business involves the manufacturing and sales of animal feed

2) Farm Business involves the animal breeding, animal farming and basic meat processing

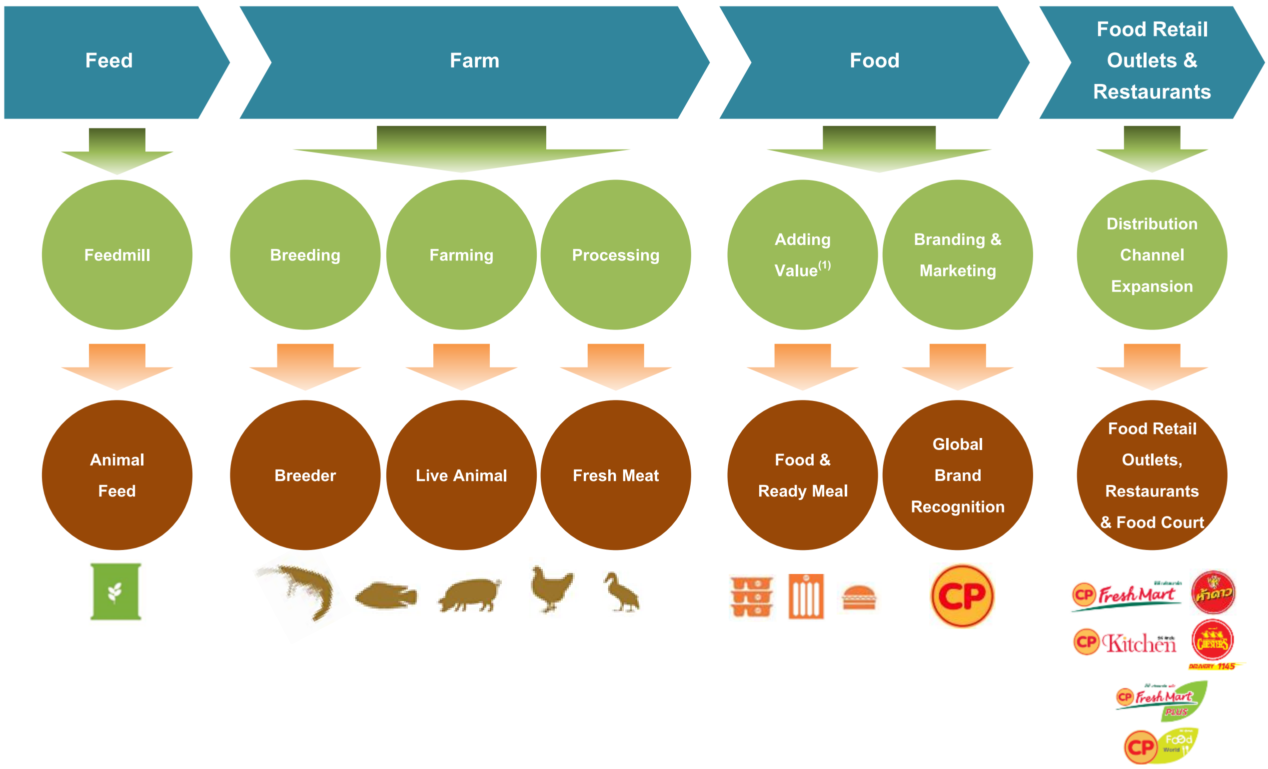
3) Food Business involves the production of partially-cooked and fully cooked meat as well as food products

4) Retail and Food Outlets Business

CPF Group operates business domestically and internationally

1) Thailand operations is a vertically integrated agro-industrial and food business that involves both domestic sales and exports of fresh meat, processed meat, as well as ready-to-eat products under the Company's brands, the brand CP, and the customers' brands to more than 40 countries worldwide across five continents

CPF Group's livestock and aquaculture businesses in Thailand includes swine, broilers, layers, duck, shrimp and fish. CPF operates a vertically integrated business from manufacturing of animal feeds, animal breeding, animal farming, basic meat processing, producing value-added products including partially-cooked and fully cooked meat, food products and ready-to-eat food. CPF also has its retail and food outlets distribution business.



Note: (1) Food products mean fully cooked food, partially-cooked and ready-to-eat food

2) International operations is agro-industrial and food business that operates in twelve countries by subsidiaries in China, Vietnam, Turkey, India, Malaysia, the United Kingdom, Laos, Russia, the Philippines, Taiwan and Belgium as well as by an associated company in Cambodia.

In 2013 the amount of revenue generated in Thailand accounted for 42.2% of total revenues while revenue generated internationally accounted for 57.8% of total revenues

3.2 CPF's Revenue Structure

	2011		2012		2013		1Q2013		1Q2014	
	THB million	%	THB million	%	THB million	%	THB million	%	THB million	%
1. Thailand Operations										
Feed	53,166	25.8	56,815	15.9	51,243	13.2	12,705	14.5	11,863	12.1
Farm	64,456	31.3	61,600	17.2	69,922	17.9	16,088	18.4	19,356	19.7
Food	36,527	17.7	41,009	11.5	43,177	11.1	10,140	11.6	10,441	10.6
Total Thailand Operations Sales	**154,149**	**74.8**	**159,424**	**44.6**	**164,342**	**42.2**	**38,933**	**44.5**	**41,660**	**42.5**
2.International Operations										
Feed	25,994	12.6	148,321	41.5	164,348	42.2	35,383	40.5	37,712	38.4
Farm	23,371	11.3	45,679	12.8	55,583	14.3	12,143	13.9	17,013	17.3
Food	2,585	1.3	3,751	1.1	4,978	1.3	965	1.1	1,737	1.8
Total International Operations Sales	**51,950**	**25.2**	**197,751**	**55.4**	**224,909**	**57.8**	**48,491**	**55.5**	**56,462**	**57.5**
Total Revenue From Sales	**206,099**	**100.0**	**357,175**	**100.0**	**389,251**	**100.0**	**87,424**	**100.0**	**98,122**	**100.0**

Source: 2013 CPF Form 56-1

3.3 CPF's Shareholding Structure

Top Ten Major Shareholders as of the Book Closing Date 9 May 2014

Name of Shareholders	Number of Shares	% Shareholding
1. CPG Group(1) comprises of	3,384,661,895	43.71
CPG	*1,935,815,835*	*25.00*
Charoen Pokphand Holding Co., Ltd.	*889,025,460*	*11.48*
CPF (Thailand) Plc(2)	*207,935,600*	*2.68*
Orient Success International Limited	*205,000,000*	*2.65*
Bangkok Produce Merchandising Plc(3)	*82,885,000*	*1.07*
Plenty Type Ltd. (4)	*64,000,000*	*0.83*
2. Thai NVDR	508,970,578	6.57
3. LITTLEDOWN NOMINEE LTD.	234,556,800	3.03

Name of Shareholders	Number of Shares	% Shareholding
4. UBS AG LONDON BRANCH	177,555,167	2.29
5. BNY MELLON NOMINEES LIMITED	121,283,569	1.57
6. Social Security Office (2 cases)	115,887,900	1.50
7. HSBC (SINGAPORE) NOMINEES PTE LTD.	90,423,191	1.17
8. THE BANK OF NEW YORK (NOMINEES) LIMITED	84,836,790	1.10
9. Miss Valaiporn Jiraphummin	80,000,000	1.03
9. Mr. Prin Tienworn	80,000,000	1.03
10. GIC PRIVATE LIMITED-C	78,341,800	1.01
Total	**4,956,517,690**	**64.01**

Source: CPF

Note: [(1)]CPG Group is a reporting group to be in compliance with Section 246 and Section 247 of the Securities and Exchange Act of 1992 (as amended)

[(2)]Subsidiary of CPF with holding of 99.98%

[(3)]Subsidiary of CPF with holding of 99.44%

[(4)]Subsidiary of CPF with holding of 32.41%

3.4 CPF's Board of Directors

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

Source: 2013 CPF Form 56-1

Note: [(1)]Independent Director

3.5 Industry Overview

2013 Agricultural Economic Condition of Main Products

Broilers

Production of broilers globally continued to grow in 2013 with total production reaching 84.6 million tons or a 1.7% growth over the previous year. All the major producers of the world - the United States of America, Brazil, European Union, India and Russia saw growth in production. With lower cost of animal feed during the year, chicken farmers enjoyed a higher level of profitability. China, however, saw a slight decline in overall broiler production because of the bird flu.

Poultry production in Thailand totaled 1.5 million tons or an increase of 0.7% over 2012, a reflection of the expectation for greater local and overseas demand for poultry; especially from the European Union where Thailand was granted permission to export chilled and frozen chicken meat to European Union since July 2012.

The United States Department of Agriculture projected an increase of global production of broilers in 2014 to 87 million tons, an increase of 2.8% over 2013. The Office of Agricultural Economics projected an increase of broilers production in 2014 for Thailand, as result of the increase in exports to the European Union and Japan after the Japanese government allowed an import of raw chicken from Thailand exporters since December 2013.

The Food and Agriculture Organization of the United Nations estimated that in 2013 the average global price of broilers rose by 4% compared to the previous year. Thailand's broiler price also saw an average increase of 4% because of the balance between the production outputs and local demand with higher export activities. The Office of Agricultural Economics expected the broiler price to remain fairly stable for Thailand in 2014.

Swine

Swine production continued to rise in 2013 bringing global production to 107.5 million tons or an increase of 1.8% over 2012. China is currently the largest producer of pork, producing approximately 50% of global production. Production in China saw continuous growth as a result of greater demand and government support in swine farming. As for the second and third largest producers of pork - the European Union and the United States, respectively are facing challenges. The European Union is under an adoption of animal protection and animal welfare regulations related to swine housing while the United States has been facing the Porcine Epidemic Diarrhea (PED). These lead to a fairly stable global production of swine.

Swine production in Thailand increased as farmers improved farm management to better protect against diseases. The increase in production was also the result of increasing demand for imports of frozen and cooked pork from Hong Kong and Japan.

The United States Department of Agriculture expected the global swine production in 2014 to rise to 108.9 million tons or a 1.3% increase over 2013. China's production alone is expected to increase by 1.7%. Production in the European Union is expected to remain stable while production in the United States, which is recovering from the disease, is expected to increase by around 2.6%.

The Office of Agricultural Economics expected that local swine production in Thailand will also increase as local consumption demand is still growing while Hong Kong and Japan's import demand for pork is likely to grow.

As for the price of swine, the Food and Agriculture Organization of the United Nations expected the global average swine price to increase by 2% in 2013 compared to 2012. Swine prices in Thailand also increased due to a balance between production outputs and local demand. For 2014, the Swine Raisers Association of Thailand expects local swine prices to rise as local supply was hit by disease towards the second half of 2013.

Shrimp

Global shrimp production dropped in 2013 to 1.8 million tons or a 15% decline from the previous year as a result of the outbreak of the Early Mortality Syndrome (**"EMS"**) in many countries. Thailand, the largest producer of shrimp, has suffered from EMS since the end of 2012. As Thailand's production dropped 53.7% from 540,000 tons to 250,000 tons, China and Vietnam have risen to become the first and second largest producers of shrimp with production of 300,000 tons and 280,000 tons, respectively.

Despite being hit by the EMS, Thailand remains among the top exporters in the world with shipment estimated at around 200,000 ton in 2013. To mitigate the impact of lower production, Thai producers turn to processed products which create higher value added.

The Thai Shrimp Association expected the global shrimp production to increase from the recovery of EMS disease. For Thailand, the Department of Fisheries in conjunction with the private sector are taking measures to clean and maintain hygiene of the hatcheries and shrimp farms. Simultaneously, more stringent measures have been taken to ensure the health of shrimp broodstock imported from the United States, a source which the Department of Fisheries has certified free of bacteria. To further ensure sufficient shrimp broodstock, the Department of Fisheries and importers of shrimp broodstock have sought alternative sources. As a result, production of shrimp in Thailand is expected to be around 300,000 tons in 2014, a 20% year on year increase.

Shrimp business is expected to grow in tandem with the rate of growth in demand both locally and internationally. Total shrimp export for 2014 is expected grow 20% to 240,000 tons with the United States, the European Union and Japan as major importers. Domestic demand is also expected to increase as the trend for consuming frozen shrimp is increasing.

Global and local shrimp price for 2013 increased by more than 50% due to the effect of the EMS. The increased price leads farmers to increase production in 2014 as shrimp price is expected to remain fairly strong as a result of good production planning by farmers and demand of the market.

Source: 2013 CPF 56-1 and Annual Report

3.6 Summary of CPF's Historical Operational and Financial Performance

Statement of Comprehensive Income (Consolidated Financial Statement)

Unit: THB million	12 months period ending on			3 months period ending on	
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013	31 Mar 2014
Revenue from sale of goods	206,099	357,175	389,251	87,424	98,122
Profit on changes in fair value of investment	-	8,673	-	-	-

Unit: THB million	12 months period ending on			3 months period ending on	
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013	31 Mar 2014
in joint venture					
Gain on sale of investments	1,358	6,009	8,219	2,143	518
Other revenues	1,556	2,996	2,107	395	768
Total revenues	**209,013**	**374,853**	**399,577**	**89,962**	**99,408**
Cost of goods sold	172,487	315,838	350,394	79,532	85,018
Profit on changes in fair value of biological assets	(87)	(229)	(524)	267	243
Selling and administrative expenses	18,909	33,260	36,963	8,232	9,666
Interest expenses	2,432	6,377	7,937	1,600	2,332
Others	-	52	219	112	106
Total expenses	**193,741**	**355,298**	**394,989**	**89,743**	**97,365**
Share of profit of associates and jointly-controlled entities	3,863	4,139	4,947	1,398	1,369
Profit before income tax	**19,135**	**23,694**	**9,535**	**1,617**	**3,412**
Income tax expense	2,898	2,675	133	281	792
Net profit	**16,237**	**21,019**	**9,402**	**1,337**	**2,620**
Non-controlling interests	(120)	(2,229)	(2,337)	(310)	(570)
Profit for the period attributable to equity holders of the Company	**16,117**	**18,790**	**7,065**	**1,026**	**2,050**

Balance Sheet (Consolidated Financial Statement)

Unit: THB million	As of				
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013	31 Mar 2014
Cash and cash equivalents	24,341	12,258	19,457	16,403	17,882
Short term investment	-	-	3,143	-	2,124
Accounts and trade receivable	15,692	23,279	24,241	22,615	23,448
Inventories	21,233	48,334	48,469	50,212	54,656
Current biological assets	12,514	19,300	22,425	19,403	21,841
Other current assets	2,721	6,030	6,508	6,033	11,283
Total current assets	**76,501**	**109,201**	**124,243**	**114,666**	**131,234**
Long-term investment	26,108	38,031	49,598	48,707	53,112
Investment properties	823	1,484	1,930	1,461	1,475
Property, plant and equipment	52,025	90,812	110,931	91,521	113,570
Non-current biological assets	2,120	5,200	5,180	5,101	5,294
Goodwill	418	54,792	59,293	52,436	59,778
Other non-current assets	2,511	11,024	13,828	11,244	14,778
Total non-current assets	**84,005**	**201,343**	**240,760**	**210,470**	**248,007**
Total assets	**160,506**	**310,544**	**365,003**	**325,136**	**379,241**

Unit: THB million	As of				
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013	31 Mar 2014
Overdrafts and short-term borrowings	22,897	47,880	62,235	51,606	64,606
Bills of exchange	-	4,951	3,477	14,436	1,989
Accounts payable - trade and others	11,733	20,620	21,888	19,672	20,722
Current portion of long-term debts	5,687	9,306	11,517	9,294	12,504
Other current liabilities	5,754	12,461	15,884	14,034	18,925
Total current liabilities	**46,071**	**95,218**	**115,001**	**109,043**	**118,746**
Long-term debts	40,866	84,066	109,176	86,781	118,550
Other non-current liabilities	6,493	10,479	11,253	10,267	11,414
Total non-current liabilities	**47,359**	**94,545**	**120,429**	**97,048**	**129,964**
Total liabilities	**93,430**	**189,763**	**235,430**	**206,091**	**248,710**
Shareholders' equity	**7,520**	**7,743**	**7,743**	**7,743**	**7,742.9**
Total liabilities and equity	**16,437**	**39,933**	**39,933**	**39,933**	**39,933**

Key Financial Ratios

Unit: Percent (unless stated otherwise)	12 months period ending on			3 months period ending on	
	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Mar 2013	31 Mar 2014
Profitability Ratios					
Gross profit margin	16.3	11.6	10.0	9.0	13.4
EBIT margin	10.5	8.4	4.5	3.7	5.9
Net profit margin	7.6	5.0	1.7	1.1	2.0
Return on equity	25.1	20.0	5.6	6.4[(1)]	6.2[(1)]
Liquidity Ratios					
Current ratio (times)	1.7	1.2	1.1	1.1	1.1
Account receivable days (days)	28	20	23	23	22
Days in inventory (days)	14	11	12	12	14
Account payable days (days)	22	18	22	22	22
Cash cycle (days)	20	13	13	13	14
Solvency Ratios					
Net debt to equity (times)	1.4	1.4	1.6	1.1	1.4
Debt to equity (times)	1.4	1.6	1.8	1.7	1.9
Earning before interest and tax to interest expenses (times)	7.3	0.2	1.3	(1.1)	2.2

Note: [(1)] Return on equity is calculated from full year profit based on profits from last 4 quarters

Management Discussion and Analysis of CPF

Operational Performance

- **Revenue**

In 2011, 2012 and 2013, the Company generated total sales of THB 206,099 million, THB 357,175 million and THB 389,251 million, respectively. In 2012, total sales increased from 2011 by 73.3% as a result of the Company's acquisition of CPP. In 2013, total sales increased from 2012 by 9.0% resulted from a rise in animal product sales. However, shrimp farming industry in Thailand had a severe effect from EMS which significantly affected sales from aquatic feed business; hence, causing revenue from aquatic feed industry declined.

Total sales for the three months period ended March 2014 was THB 98,112 million, increased by 12.2% from THB 87,424 million for the three months period ended March 2013. An increase in sales contributed from Thailand operations of 7% and from international operations of 16%, mainly resulted from animal farming products.

- **Net profit**

In 2011, 2012 and 2013, net profit attributable to equity holders of the parent company was THB 16,117 million, THB 18,790 million and THB 7,095 million, respectively. The respective net profit margin was 7.6%, 5.0% and 1.7%. The decline in net profit and net profit margin in 2013 was due to two following causes 1) the gain on fair value adjustment of investment in C.P. Vietnam Corporation during the three months ended period March 2012 for THB 8,673 million, which is the recognition of gain was a non-recurring item, which is in accordance with Thai Financial Reporting standards. 2) operating profit in 2013 from Thai aquatic feed business declined due to an outbreak of EMS that had started in late 2012 and affected shrimp farming industry resulted in a significant decline in aquatic feed sales. However, an increase in operating profit from poultry and livestock feed business had offset the effect of EMS even though not entirely.

Net profit attributable to equity holders of the parent company for the three months period ended March 2014 was THB 2,050 million, increased by 1.1% from THB 1,026 million for the three months period ended March 2013. The respective net profit margin for the period was 1.1% and 2.0%. An increase in net profit margin was due to an improvement in sales and an increase in gross profit margin from 9.0% to 13.0% in the respective period.

Financial Position

- **Asset**

In 2011, 2012 and 2013, total assets was THB 160,506 million, THB 310,544 million and THB 356,003 million, respectively. This represents a growth of 93.5% in 2012 and 17.5% in 2013. A significant increase in total assets in 2012 was a result of the Company's acquisition of CPP. In 2013, an increase in total assets was a result of increasing in long-term investment, property, plant and equipment and intangible assets.

- **Liability**

In 2011, 2012 and 2013, total liability was THB 93,430 million, THB 189,763 million and THB 235,430 million, respectively. This represents a growth 103.1% in 2012 and 24.1% in 2013. An increase in total liabilities in 2012 was due to an increase in borrowing of short-term and long-term loan to finance an acquisition of CPP and also an increase by CPP's liability. An increase in liability in 2013 was for operation of the Company.

- **Shareholder's equity**

Shareholder's equity in 2011, 2012 and 2013 was THB 67,076 million, THB 129,781 million and THB 129,573 million, respectively. This represents a growth of 80.1% in 2012 and 7.3% in 2013. An increase in shareholder's equity was due to the Company's capital increase in 2012 to finance CPP's acquisition. In 2013, an increase was also a result of increase in minority interest and depreciation of Thai Baht which is shown in currency translation for financial statement in 2013.

4. The Acquisition of the Entire Investment in Kaifeng

4.1 Reasonableness of the Acquisition of the Entire Investment in Kaifeng

4.1.1 Objectives of the Connected Transaction

- **To conform with long-term business plan of penetrating into high growth potential market including Henan Province**

Henan is one of the most populated provinces in China; thus, it has high demand for food such as meat. Moreover, Henan Province also produces large amount of corn which is one of the main raw materials for animal feed. As a result, Henan Province is a strategically important location within China. Thus, the Acquisition of the Entire Investment in Kaifeng will help strengthen CPP's feed business in Henan Province, which is consistent with CPP's long-term business plan. Moreover, the Acquisition of the Entire Investment in Kaifeng will not only immediately expand CPP's feed production capacity in China, but also obtain feedmill with decent operational performance.

- **To expand CPP's customer base in Henan Province**

Currently, CPP has 4 feedmills in Henan Province which are Henan East Chia Tai, Pingdingshan Chia Tai, Nanyang Chia Tai and Zhumadian Chia Tai. The Acquisition of the Entire Investment in Kaifeng will add an additional feedmill and also expand CPP's customer base, contributing positively to CPP's long-term plan of penetrating high growth potential markets, such as Henan Province, as CPP will be able to access various customer segments and have wider feedmill network coverage

- **To achieve a clearer business structure in China**

The Acquisition of the Entire Investment in Kaifeng will reduce competition in animal feeds business with CPG; hence, allow to have a clearer business structure in China. CPP will operate animal feeds business in China as its main business while CPG will operate farm business in China as its main business. Kaifeng will continue to partially sell animal feed to CPG in the future and selling price will be based on Arm's Length Basis.

4.1.2 Advantages and Disadvantages of Entering into the Connected Transaction

<u>**Advantages of Entering into the Connected Transaction**</u>

- **The acquisition is part of long-term business plan to enter into high growth potential market and allow an immediate increase in production capacity to quickly respond to increasing demand for animal feed**

After the Acquisition of the Entire Investment in Kaifeng, CPP will have a total of 79 feedmills (Include Kaifeng) and production capacity of 13.3 million tons in China, which is an increase of 1.84% compared to current production capacity. This would help enhance CPP position and reinforce CPP as one of the leading feed producers in China, especially in Henan Province. Moreover, an acquisition of current operating feedmill will enable CPP to immediately respond to an increasing demand for animal feed that has quickly increased following the population growth and rising income in Henan Province.

The Acquisition of the Entire Investment in Kaifeng will instantly increase CPP's production capacity by 240,000 tons per year with no feedmill construction period which normally takes approximately one year for the equivalent mill size. Construction of feedmills can pose additional risks, such as risk in searching for suitable land proper for development and risk of cost overrun during the construction phase.

- **Acquisition of Kaifeng's customer base and distribution channel leading to wider network coverage for the Company**

The Acquisition of the Entire Investment in Kaifeng will expand distribution channels of the Company. As of 2013, Kaifeng has 2 main distribution channels which include 233 dealers in China and 185 direct farms. Therefore, after the Acquisition of the Entire Investment in Kaifeng, CPP will have additional distribution channels, allowing CPP to have wider network coverage.

- **Company's total revenue and profit will increase and no significant change to its financial status post-acquisition**

After the Acquisition of the Entire Investment in Kaifeng, Kaifeng will become a subsidiary of CPP which will also be a subsidiary of CPF. Thus, revenue of CPP and CPF will consolidate 100% of Kaifeng's total revenue. Based on CPF's 2013 financial statements, its total revenue and net profit will increase by THB 3,417.1 million and THB 153.7 million (Exchange rate of THB 5.28 / RMB as of 20 May 2014) or 0.9% and 1.6% of CPF's revenue and CPF's net profit, respectively. The Company plans to finance the Acquisition of the Entire Investment in Kaifeng by using CPP's internal cash flow. The total consideration of the Acquisition of the Entire Investment in Kaifeng is equivalent to only 13.4% of CPP's 2013 ending cash and cash equivalent balance. Moreover, CPP will not be required to borrow additional money to finance the transaction. As a result, the Acquisition of the Entire Investment in Kaifeng will not significantly affect the Company's financial position.

Disadvantages of Entering into the Connected Transaction

- **Risks on the return on investment**

The Acquisition of the Entire Investment in Kaifeng will impose investment risks to the Company since feed business in China depends on many variable factors such as raw materials price, climate in relevant countries and availability of raw materials around the production base. As a result, the Company might not receive the expected return on investment which could affect the Company's operation and future profitability.

4.1.3 Advantages and Disadvantages of not Entering into the Connected Transaction

Advantages of not Entering into the Connected Transaction

- **Purchase price consideration could otherwise be invested elsewhere**

By not acquiring the Entire Investment in Kaifeng, the Company will not require to finance the consideration and any expected additional investment for future feedmill expansion according to Kaifeng's management. The Company could invest this cash flow in other businesses.

- **The Company does not have to take risk on this investment**

Investment in Kaifeng will expose Company to additional risks. Although most factors that could affect Kaifeng's operation are quite similar to those that CPP is currently facing, if there is a factor that negatively impacts Kaifeng, the Company could realize a loss on investment or lower return than expected. If the Company does not acquire the entire investment in Kaifeng, it would not expose to this additional risk.

Disadvantages of not Entering into the Connected Transaction

- **An expansion of production capacity in China could be delayed**

If the Company does not acquire the entire investment in Kaifeng and still plans to increase production capacity in Henan Province, the Company might have to build a new feedmill or acquire a different feedmill which could take a long time to build or to negotiate on pricing. Moreover, additional investment would be needed and new customer base built up would required, which would take up more time. However, if the Company entered into the Acquisition of the Entire Investment in Kaifeng, the Company will immediately increase production capacity. In addition, the acquisition price is considered to be reasonable.

4.1.4 Advantages and Disadvantages Comparison of Entering into the Connected Transaction with Connected Person and Entering into a transaction with a Third Party

Building a new feedmill in China would take longer time and incur additional risks during construction and development period. Moreover, CPP would not enjoy benefits of accessing Kaifeng's existing customer base and supplier network. Kaifeng is also a competitive feed producer with good operating performance. Finally, the Company is likely to have to pay a higher price for an acquisition from a third party. (Based on higher trading multiples of comparable companies to that of the Acquisition of the Entire Investment in Kaifeng's.) Therefore, the Acquisition of the Entire Investment in Kaifeng would be benefitial to the shareholders of the Company.

4.2 Reasonableness of the Price and the Conditions of the Acquisition of the Entire Investment in Kaifeng

4.2.1 Key Assumptions in Preparation of the Opinion

In preparing this Opinion, the IFA has assumed, among others but not limited to, the followings:

- All information, financial statements or data supplied or otherwise made available to the IFA is correct, accurate and complete. Neither the IFA nor any of its officers or employees has independently verified any of the information or data contained in this Opinion or assumes any responsibility for the accuracy or completeness of such information or data (whether arising from negligence or otherwise) contained in or for any omissions from, this Opinion. The IFA assumes no obligation to update or otherwise revise this Opinion.

- Unless otherwise explicitly described in this Opinion, none of the events has occurred, is about to occur or is expected to occur that may have material adverse change in the condition (financial, operational, legal or otherwise), of the earnings, business affairs or business prospects of any of Kaifeng. Furthermore, the IFA has assumed that there is no other material adverse event including, but not limited to, economic condition, financial position or legal imposition that could have material adverse effect on Kaifeng.

- Each of business contracts of Kaifeng which is mentioned or is referred to herein including the share purchase agreement is valid, binding and enforceable of all parties thereto under the law. There are no facts or circumstances in existence and that no event has occurred, that would render any business contracts or any part thereto void or voidable or repudiated or frustrated or capable of rescission or revocation on the part of any of the parties thereto.

4.2.2 Valuation Methodologies

The IFA has estimated the fair value of Kaifeng's business (As-is) using several methodologies as follows:

1. Discounted Cash Flows Approach ("**DCF**")
2. Trading Comparable Approach
3. Precedent Transaction Comparable Approach

The applicableness of each methodology used by the IFA is discussed as follows:

- **Discounted Cash Flows Approach ("DCF")**

DCF is an approach used to estimate the company's intrinsic value based upon its fundamental, by discounting expected future cash flows to the firm. It is generally used for valuation of business, whose cash flows is currently positive and can be estimated with reasonable accuracy for future periods. However, feed and its raw materials are commodities, whose prices are volatile and difficult to forecast. Nevertheless, since Kaifeng has a cost-plus pricing strategy and the company focuses on sustaining gross profit margin of each product, the IFA forecasts the cash flows based on the assumption that Kaifeng could maintain its gross profit margin at the level close to the current and historical gross profit margin. In addition, the IFA has applied a sensitivity analysis to evaluate the impact to the equity value from changes in key assumptions.

DCF is a good approach to evaluate impacts from changes in operating assumptions in accordance with changes in the business and industry outlook. The IFA assumes that there would be no significant change in Kaifeng's business model after the Acquisition of the Entire Investment in Kaifeng. Therefore, DCF can be used to determine intrinsic value of Kaifeng based on its business fundamental and future earnings capabilities. As a result, DCF is an appropriate method in estimating the fair value of Kaifeng.

- **Trading Comparable Approach**

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

The IFA has selected comparable companies based on the similarities of their businesses, considering the following factors: proportion of revenue from feed business, types of feed products, country of operation, revenue growth trends, gross profit margin and net profit margin.

The IFA views that Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization Ratio (**"EV/EBITDA"**) and Price to Earnings Ratio (**"P/E"**) are appropriate valuation ratio for Kaifeng because these multiples take into account the market views on performance and outlook of the overall animal feeds industry. P/BV approach may have limitation because the book value of many comparable companies is affected by accounting policy and may not be comparable across peers.

- **Precedent Transaction Comparable Approach**

Precedent transaction comparable approach values Kaifeng by analyzing multiples from precedent comparable merger and acquisition transactions in feed industry. However, the agreed price of each transaction is driven by various factors which are specific to each company and each transaction, such as stake acquired, ability to obtain controlling stake, expected synergies, demand and supply of animal feeds at the time and negotiation. Therefore, precedent transaction comparable approach would be less applicable than DCF approach and selected Trading Comparable approach in evaluating Kaifeng's fair value.

4.2.3 Key Financial Assumptions for Valuation of Kaifeng

4.2.3.1 Kaifeng's Saleable Feed Volume Projection

Assumptions on saleable feed volume projection are as follows;

- The IFA forecasts Kaifeng's saleable feed volume in each business line by incorporating historical trend, industry outlook and strategic direction from Kaifeng's management.
- Kaifeng plan to adjust proportion of product sold by focusing more on selling swine feed to capture the growth of swine feed market, driven by higher demand for pork consumption. Moreover, swine feed has the highest gross profit margin compared to Kaifeng's other products. Swine feed demand has been increasing in recent years between 2009 – 2013 at 15.3% CAGR, reflecting higher swine feed demand.
- Kaifeng plans to increase its market share by focusing on delivering an after-sales service that is superior to its competitors, especially in swine feed business where Kaifeng has more experience and in-depth knowledge of the market than its competitors. Furthermore, Kaifeng plans to introduce new products to respond to market's specific need such as feed for piglets.
- Pork consumption of Chinese has been growing steadily at 4.0% CAGR during the past 6 years, which is at higher rate than their consumptions of poultry and aquatic products, which have been growing at the CAGR of 3.5% and 2.7% during the past 6 years, respectively. The consumption growth rates of meat consumption will be used to forecast future saleable feed volume.
- In 2014, the IFA forecasts that growth of saleable swine feed volume to be 15.3%, which is higher than the CAGR of pork consumption due to Kaifeng's aggressive focus on swine feed expansion. Growth of saleable feed volume of poultry and aquatic is 3.5% and 2.7%, respectively, which is in accordance with the CAGR of poultry and aquatic products consumption.

- In 2015 – 2023, growth of saleable swine feed volume is 4.0% in accordance with the CAGR of pork consumption while growth of saleable feed volume of poultry and aquatic will be at the same rate of 3.5% and 2.7%, respectively.

- Historical and forecast growth rate of Kaifeng's saleable feed volume is shown in the table below:

Unit: Percent	2011	2012	2013	CAGR 2009 – 2013	2014E	2015E-2023E[(2)]
Forecast feed volume growth rate	36.3	(3.1)[(1)]	(4.4)[(1)]	5.8	8.9	3.6

Note:[(1)] In 2012, negative growth is due to bird flu and negative growth in 2013 is due to continuation of bird flu and swine flu resulted in lower demand for both poultry and swine feed

[(2)] Kaifeng's management plans to invest RMB 50.0 million in 2016 to expand swine feed production capacity by 180,000 tons per year and assumed 1 year construction period and full capacity operation in 2017.

4.2.3.2 Cost of Goods Sold per Unit Projection ("COGS")

Kaifeng's cost of production includes raw materials which include corn, soybean, fishmeal, direct labor cost and overhead cost. Raw materials prices are subject to factors that are volatile and cannot be accurately forecasted because the prices depend on overall market demand and supply.

The IFA has taken the following assumptions into consideration for COGS projection

- Kaifeng will continue its cost-plus pricing strategy, which will enable Kaifeng to pass on cost of production to its customers leaving Kaifeng to have a relatively constant gross profit margin.

- IFA assumes that a growth rate of COGS per unit is in line with China's core inflation. Historical growth rate of COGS per unit has correlation with China's core inflation in the past. Average growth rate of COGS per unit from 2011 – 2013 is 4.0% while average China's core inflation rate is 3.6%

- The assumption of core inflation in China is based on Bank of America Merrill Lynch's ("**BofAML**") report which expects core inflation to be 2.7% in 2014 and 3.5% from 2015 onwards

- Information on historical and forecast growth rate of COGS per unit in all business line is shown in the table below:

Unit: Percent	2011	2012	2013	CAGR 2009-2013	2014E	2015E-2023E
Average growth rate of COGS per unit in all business line	2.2	7.9[(1)]	1.9	4.0	2.7	3.5

Note: [(1)] Average growth rate of COGS per unit is higher than China's core inflation due to higher costs of raw material

4.2.3.3 Price and Gross Profit Margin Projection

Different animal feeds have different GPM. This is due to their difference in cost of production and proportion of raw material required. The average GPM during 2009 – 2013 was between 8.8% and 15.1%

The IFA has taken the following assumptions into consideration for price and GPM projection

- Kaifeng will continue its cost-plus pricing strategy, which will enable Kaifeng to pass on cost of production to its customers, leaving Kaifeng to have a relatively constant gross profit margin and can use as a variable to calculate gross profit. The IFA used the average GPM of each type of feed that Kaifeng achieved in the past to forecast the GPM.
- Since Kaifeng focus on selling high quality products, it can set higher prices than those of its competitors who offer lower quality products. Furthermore, Kaifeng plans to adjust its product proportion to focus on selling more swine feed products which have higher GPM than other animal feed products; thus, the average overall GPM would gradually improve.
- Information on historical and forecast GPM is shown in the table below. Forecast of GPM is estimated from the average historical GPM. GPM increases due to higher proportion of swine feed, which has higher GPM:

Unit: Percent	2011	2012	2013	2014E – 2023E
Average GPM of Kaifeng	11.8	13.8	15.1	13.4 – 13.9

4.2.3.4 Selling and Administrative Expenses ("SG&A") Projection

SG&A of Kaifeng includes employee expenses, travel expenses, supplies expenses, utility expenses (such as electricity and cleaning expenses), entertainment expenses, consulting expense, depreciation expenses and amortization expenses.

The IFA has taken the following assumptions into consideration for SG&A projection

- An additional expense related to the fee of using the brand "Chia Tai", which Kaifeng did not have to pay previously. Once Kaifeng becomes subsidiary of CPP, Kaifeng will then have to pay fee for the use of the brand "Chia Tai", which will be calculated as 1.5% of total revenue.
- Research and development expense to develop new products and increase market share is 0.25% of total revenue
- Other SG&A of Kaifeng are mainly fixed costs and assumed to grow in line with core inflation in China
- Variable expense is 1.9% of total revenue which is based on the average proportion of variable expenses to total revenue during the past 5 years, which is calculated based on COGS and has already taken into consideration the effect of inflation.
- Information on historical and forecast SG&A as a percentage of total revenue is shown below:

Unit: Percent	2011	2012	2013	2014E – 2023E
% SG&A to total revenue	7.6	7.7	8.8	8.0 – 9.7

4.2.3.5 Capital Expenditures Projection

Kaifeng's capital expenditures are investment in expanding production capacity and maintenance of existing plants.

- Kaifeng's management plans to invest RMB 50.0 million in 2016 to increase swine feed production capacity by additional 180,000 tons per year and assumes 1 year construction period with full capacity available in 2017.
- Kaifeng has provision for maintenance expenditures of existing plants. The IFA has assumed maintenance expenditures to be equal to annual depreciation to maintain property, plant and equipment value to maintain normal operation. Since Kaifeng uses machine continuously, average maintainance expenses can be assumed to be at the same level every year.
- The IFA uses straight-line depreciation method which is suitable with Kaifeng's animal feeds business since Kaifeng currently operates at high utilization rate.

4.2.3.6 Working Capital Projection

Kaifeng focuses on using cash for selling transactions which resulting in low accounts receivable collection period. IFA has forecast working capital based on latest year, which have relatively longer accounts receivable but shorter account payable days.

- Details of historical and forecast working capital is shown in the table below:

Unit: Days	2011	2012	2013	Forecast
Average accounts receivable days	0.1	1.0	4.2	Maintain at 2013 level and remain stable over the projection period
Average accounts payable days	17.7	11.0	10.7	
Average inventory days	29.9	23.4	29.8	

Note: Calculated on 365 days basis

4.2.3.7 Other Assumptions

Apart from the key assumptions mentioned earlier, the IFA has made other key financial assumptions as follows:

- A straight-line depreciation at different useful life assumptions are applied to each asset class' useful life. The adopted useful life periods are shown in the following table.

	Building	Equipment and others
Useful life (year)	20	10

- The assumption of core inflation in China is based BofAML report which expects core inflation to be 2.7% in 2014 and 3.5% from 2015 onwards
- Interest rates are based on Kaifeng's current interest charge rates which is at 6.6%
- China's corporate income tax is 25.0%
- Kaifeng's net debt as of 31 March 2014 was RMB 46.7 million.
- Valuation date as of 1 April 2014

4.2.4 Discounted Cash Flows Approach

Under DCF approach, the IFA calculates the net present value of future cash flows of Kaifeng using an appropriate discount rate

- **Discount Rate (Weighted Average Cost of Capital "WACC")**

The discount rate used to discount future cash flows of Kaifeng should reflect the expected rate of return required to compensate the risk undertaken for investment in Kaifeng. While choosing an appropriate discount rate, various factors have to be taken into consideration, including the cost of debt, tax rate, risk free rate, market risk premium for investment in China's stock market and the risk of investment in Kaifeng relative to the risk of investment in Shanghai Stock Exchange. The IFA estimates the discount rate by calculating the WACC as follows:

WACC is calculated as:

$$WACC = Ke*(1 – (E / (D + E)) + Kd*(1 - T)*(D / (D + E))$$

where

Ke	=	Rate of returns to common stock holders, which is calculated using Capital Asset Pricing Model (**"CAPM"**) or Ke = Rf + β*(Risk Premium)
Kd	=	Kaifeng's current cost of debt
T	=	Marginal tax rate
D	=	Interest-bearing debt
E	=	Shareholder's equity
D / (D+E)	=	Average of selected peers' capital structure[(2)]

whereby

Rf	=	Risk-free rate on 10-year Chinese government bond *source: Research Deparment of BofAML*
β (Beta)=		The volatility of daily return in relation to Shanghai Stock Exchange and return of other listed feed companies in Shanghai Stock Exchange which is calculated to be approximately 1.0 (prior to adjustment of capital structure) *source : Bloomberg as of 28 May 2014*

Risk Premium (Rp) = Market Return from investing in Shanghai index that is above the returns from risk-free investments obtained by using analysts estimate *source: Research Department of BofAML*

Note: [(1)] Companies that are taken into account for β consideration are New Hope Liuhe, Beijing Dabeinong, Guangdong Haid, Tongwei, Xinjiang Tiankang, Jiangxi, Zhengbang, Shenzhen Jinxinnong and Ningbo

[(2)] The IFA estimated that long-term capital structre of Kaifeng will be in-line with selected peers in the industry

Rf	4.0%
Rp	7.5%
β (times)	1.0
Cost of Equity (Ke)	11.9%
Cost of Debt (Kd)	6.6%

1 – D / (D+E)	80.0%
D / (D+E)	20.0%
China Tax Rate	25.0%
WACC used as discount rate for DCF	**9.5% – 11.5%**

- **Kaifeng Cash Flow Projection (2014 - 2023)**

Unit: RMB Million	2014	2015	2016	2017	2018
EBITDA	33.2	37.3	41.9	46.8	52.2
Free cash flows to firm	**20.3**	**23.3**	**(25.5)**[1]	**25.8**	**29.2**
	2019	**2020**	**2021**	**2022**	**2023**
EBITDA	58.0	64.3	71.1	78.6	86.6
Free cash flows to firm	**32.7**	**36.8**	**41.7**	**47.1**	**54.2**

Note: [1] Kaifeng's management plans to invest RMB 50.0 million in 2016 to expand swine feed production capacity by 180,000 tons per year and assumed 1 year construction period and full capacity operation in 2017

- **The Valuation Result of Kaifeng Using Discounted Cash Flow Approach (DCF)**

The IFA has applied valuation sensitivity factors to WACC and terminal growth rate of 2.0 – 3.0% to determine DCF valuation range.

	Terminal Growth Rate 2.0% – 3.0% Equity Value of Kaifeng (RMB million) / (THB million)
WACC 9.5% – 11.5%	298.5 – 468.3 / 1,575.9 – 2,472.4

Note: Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

Sensitivity Analysis

Since nature of feed business is subject to volatility due to several uncontrollable external factors such as intensity of competition level of feed business in China, which could affect gross profit margin, meat demand whose change would affect feed demand and increase in prices of raw material. These factors could adversely affect Kaifeng's value; therefore, IFA has prepared a sensitivity analysis on key drivers that significantly affect fair value of Kaifeng. Such key sensitizing factors include.

- **Gross profit margin** (GPM)

Changes in GPM could be caused by changes in proportion of animal feed sales or increase in competition. An increase or decrease of 0.5% from the base case (Average GPM over the forecasted period is 13.6%) would increase the base case equity value of RMB 367.4 million (approximately THB 1,939.9 million) at WACC of 10.5% to RMB 419.6

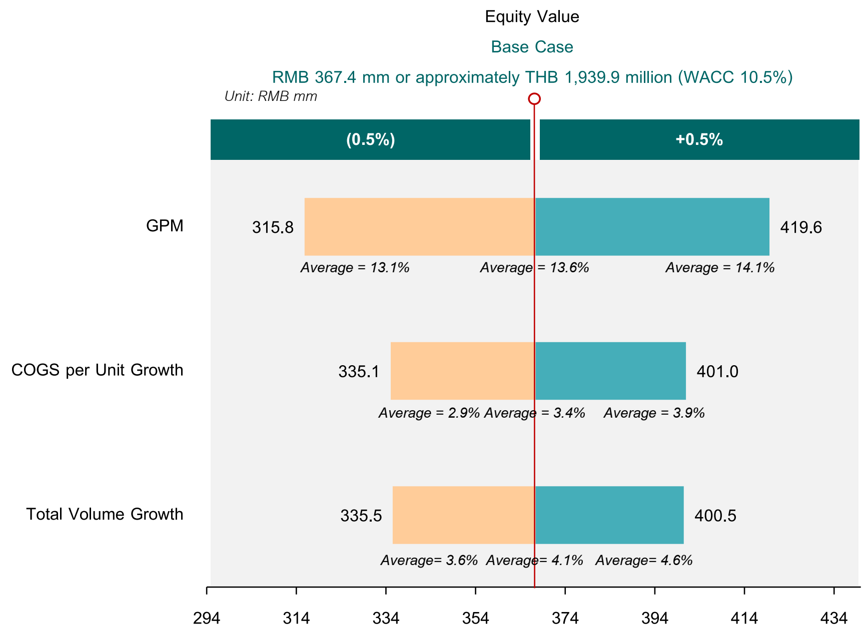
million (approximately THB 2,215.5 million) and decrease to RMB 315.8 million (approximately THB 1,667.5 million), respectively. (Exchange rate of THB 5.28 / RMB as of 20 May 2014)

- **Cost of production per unit**

Changes in cost of production growth rate could be caused by changes in main raw material prices such as corn, soybean and fishmeal. An increase or decrease of 0.5% from the base case (Average cost of production growth rate over the forecasted period is 3.4%) would increase the base case equity value of RMB 367.4 million (approximately THB 1,939.9 million) at WACC of 10.5% to RMB 401.0 million (approximately THB 2,117.0 million) and decrease to RMB 335.1 million (approximately THB 1,796.1 million), respectively. (Exchange rate of THB 5.28 / RMB as of 20 May 2014)

- **Growth in saleable feed volume**

An increase or decrease in growth of saleable feed volume could be caused by changes in ability to produce and sell and/or feed demand, in all 3 feed products that Kaifeng produces, by increase or decrease 0.5% from the base case (Average growth of saleable feed volume over the forecasted period is 4.1%) would increae the base case equity value of RMB 367.4 million (approximately THB 1,939.9 million) at WACC of 10.5% to RMB 400.5 million (approximately THB 2,114.5 million) and decrease to RMB 335.5 million (approximately THB 1,771.5 million), respectively. (Exchange rate of THB 5.28 / RMB as of 20 May 2014)



Note: Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

4.2.5 Trading Comparable Approach

Trading comparable approach assumes trading multiples of companies with similar business nature, operations and environment should have similar multiples. Based on this method, the IFA primarily selected comparable group among companies operate in agricultural industry with manufacturing and distributions of animal feed in China as their main business and share similar keys business characteristics with Kaifeng as follows:

Comparable Group in China

1. **C.P. Pokphand Co., Ltd.** (CPP)

CPP is an investment holding company, listed on the Hong Kong Stock Exchange and is a subsidiary of the Company. CPP manufactures and distributes animal feed products primarily in China and Vietnam. It offers various feed products, which include livestock, poultry and aquatic feeds under Chia Tai brand. CPP also produces veterinarian drugs for poultry and livestock under Shihao and Citifac brand as well as operates farms, including shrimp farms, fish farms and livestock farms; and produces and processes meat and seafood products in Vietnam. CPP also manufactures and sells motorcycles and engines under Dayang brand. In 2013, CPP's total revenue was RMB 32,778.1 million; this represented an increase of 9.2% from 2012. The amount of revenue generated from animal feeds represents 97.8% of CPP's total revenues. In 2013 the company's net profit was RMB 1,127.3 million, equivalent to 3.4% net profit margin.

2. **New Hope Liuhe Co., Ltd. ("New Hope Liuhe")**

New Hope Liuhe operates in Sichuan Province, China. The company was formerly known as Sichuan New Hope Agribusiness Company Limited, later changed to New Hope Liuhe Co. Ltd. after acquiring 24.0% of Liuhe Group's shares in 2005. New Hope Liuhe is a leader in the manufacturing and distribution of animal feeds, including swine, poultry and other feed products. Its current production capacity is 36.7 million tons per year. New Hope Liuhe manufactures and distributes its products throughout China as well as exports to Vietnam, the Philippines, Bangladesh, Cambodia, Sri Lanka, Singapore and Egypt. In addition to animal feed, New Hope Liuhe also engages in the manufacture and distribution of meat products, including frozen food, fresh food and cooked food. In 2013, animal revenues from animal feed were RMB 48,409 million, which accounted for 66.6% of its total revenue. This represented an increase of 8.6% from 2012. In 2013 the company's net profit was RMB 1,719 million, equivalent to 2.5% net profit margin.

3. **Beijing Dabeinong Technology Group Co., Ltd. ("Beijing Dabeinong")**

Beijing Dabeinong was founded in Beijing, China, in 1993. The company manufactures and distributes animal feed, including premix and concentrated feed products used to feed livestock, poultry and aquaculture. The company distributes its products domestically and internationally. Beijing Dabeinong has more than 60 production bases in China and has approximately 13,000 employees. In addition, the company also produces and distributes animal health related products such as antiviral, vaccine, seed products and plant protection products. In 2013, the total revenues generated from animal feeds business was RMB 15,997 million, which accounted for 96.4% of Beijing Dabeinong's total revenues. This represented an increase of 62.8% from 2012. The company's net profit was RMB 732 million, equivalent to 4.1% net profit margin.

4. **Guangdong Haid Group Co., Ltd.** ("**Guangdong Haid**")

Guangdong Haid was founded in 1998 and operates in Guangdong Province, China. The company manufactures and distributes animal feeds. It offers premix and concentrated feed, including aquaculture, livestock and poultry. The company focuses on research and development of aquatic feed products. It is also a leader in prawn feed and other aquatic feed. The company mainly operates in China and started to export in 2012. In 2013, its total revenues generated from animal feed business was RMB 17,930 million, which accounted for 100.0% of Guangdong Haid's total revenues. This represented an increase of 16.0% from 2012. The company's net profit was RMB 344 million, equivalent to 1.9% net profit margin.

5. Tongwei Co., Ltd. (“**Tongwei**”)

Tongwei is located in Chengdu, Sichuan Province, China. The company is engaged in the production and distribution of animal feed and raw materials of feed in China and internationally. The company offers feedstuff products, which primarily include livestock, aquaculture and poultry. Tongwei also engages in food processing activities, including aquaculture processing, livestock processing, poultry processing as well as offering aquaculture cultivation. The current production capacity is 9 million tons per year. In 2013, total revenues generated from animal feed was RMB 14,014 million, which accounted for 92.7% of Tongwei‘s total revenues. This represented an increase of 11.5% from 2012. In 2013, the company’s net profit was RMB 330 million, equivalent to 2.2% net profit margin.

6. Xinjiang Tiankang Animal Science Bio-Technology Co., Ltd. (“**Xinjiang Tiankang**”)

Xinjiang Tiankang is based in Urumqi, Xinjiang Uyghur autonomous region in China. It produces and distributes feed and feed additives for livestock, poultry and aquatic. The company offers compound feed, concentrated feed, premix and feed additives. The current production capacity is 1.5 million tons per year. In 2013, total revenues generated from animal feed business was RMB 2,627 million, accounted for 70.7% of Xinjiang Tiankang’s total revenues in China. This represented an increase of 16.6% from 2012. In addition, Xinjiang Tainkang also produces veterinary drugs as well as manufacturers and processes agricultural products such as cottonseed, sunflower and soybean. In 2013, company’s net profit was RMB 168 million, equivalent to 4.6% net profit margin.

7. Jiangxi Zhengbang Technology Co., Ltd. (“**Jiangxi Zhengbang**”)

Jiangxi Zhengbang is based in Nanchang, Jiangxi Province, China. The company engages in the manufacture and distribution of livestock feed and feed additives including compound feed, concentrated feed and premix. It is also involved in breeding, cultivation, processing and sale of animals and aquatic products as well as other businesses such as food distributions, livestock products, veterinary drugs and agricultural chemicals. In 2013, total revenues generated from animal feed business was RMB 13,788 million, accounted for 88.5% of its total revenues. This represented an increase of 10.0% from 2012. In 2013, the company’s net loss was RMB 120 million, equivalent to (0.8)% net profit margin.

8. Shenzhen Jinxinnong Feed Co., Ltd. (“**Shenzhen Jinxinnong**”)

Shenzhen Jinxinnong is based in Shenzhen, Guangdong Province, China. The company engaged in research and development, production and distribution of swine feed, which include both concentrate and premix. Animal feed products comprise of vitamins and important nutrients for various development stages of swine. The company also offers breeding products for swine. In 2013, total revenues generated from swine feed was RMB 1,923 million, accounted for 96.7% of Shenzhen Jinxinnong’s total revenues. This represented an increase of 10.5% from 2012. The company’s net profit was RMB 50 million, equivalent to 2.4% net profit margin.

9. Ningbo Tech-bank Co., Ltd. (“**Ningbo**”)

Ningbo is based in Shanghai, China. The company engages in the research and development, manufacture and distribution of animal feed and feed additives primarily for livestock and aquaculture. It also provides concentrated feed, premix, premium grade feedstuff, substitutes for milk from cattle and sheep and veterinary drugs. Ningbo sells its products primarily in China, as well as export aquatic feed to Japan, Korea, Vietnam and Sri Lanka. In 2013, total revenues generated from animal feed business was RMB 1,396 million, which accounted for 68.2% of Ningbo's total revenues. This represented an increase of 12.5% from 2012. The company's net profit was RMB 81 million, equivalent to 3.8%.

Comparable Peers Selection Analysis with Kaifeng's Key Operating and Financial Ratio

Name	Business Characteristic	Revenue Contributed by Animal Feed Business in 2013 (%)	Total Revenue Growth Rate (Year)			Average GPM 2011 - 2013 (%)	Average NPM 2011-2013 (%)
			2011 (%)	2012 (%)	2013 (%)		
Kaifeng	**Manufactures and distributes of animal feeds, including swine, poultry and aquaculture in Henan province, China**	**100.0**	**37.8**	**7.1**	**(1.1)**	**13.6**	**4.4**
CPP	Manufactures and distributes of animal feeds, including livestock, poultry and aquaculture in China as well as full services animal farm and animal feeds business in Vietnam under Chia Tai brand	97.8	78.6	39.5	8.0	13.9	4.1
New Hope Liuhe	Manufactures and distributes of animal feeds, including livestock poultry and other animals. The company distributes its products domestically and internationally.	66.6	35.8	6.7	-3.8	5.9	2.9
Beijing Dabeinong	Manufactures and distributes of premix and concentrated feed products for livestock, poultry and aquaculture breeding. The company distributes its products domestically and internationally.	96.4	50.4	41.7	59.0	21.1	5.8
Guangdon Haid	Manufactures and distributes of animal feeds, including aquaculture, livestock and poultry. The main focus is on the research and development	100.0	56.7	34.7	17.8	9.3	2.6

Name	Business Characteristic	Revenue Contributed by Animal Feed Business in 2013 (%)	Total Revenue Growth Rate (Year)			Average GPM 2011 - 2013 (%)	Average NPM 2011-2013 (%)
			2011 (%)	2012 (%)	2013 (%)		
	of aquatic feeds. It is a leader in prawn feed distribution						
Tongwei	Manufactures and distributes of raw materials of animal feeds in China and internationally, focus primarily on swine, aquaculture, livestock and poultry	92.7	21.5	21.4	14.3	8.5	1.1
Xinjiang Tiankang	Manufactures and distributes feed and feed additives for livestock, poultry and fish	70.7	26.9	16.4	13.7	14.5	3.5
Jiangxi Zhengbang	Manufactures and sale of livestock feeds and feed additives	88.5	46.6	31.6	16.1	6.0	0.5
Shenzhen Jinxinnong	Researches, develops, manufactures and sales of swine feeds as well as swine breeding product	96.7	30.7	23.8	14.2	12.1	3.0
Ningbo	Researches, develops, manufactures and sales animal feeds, feed additives and premix	68.2	58.1	22.1	3.6	13.6	2.3

Source: Bloomberg as of 28 May 2014

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

	Market Cap	EV	EV/EBITDA		P/E	
	(THB million)	(THB million)	2013	2014E	2013	2014E
CPP	76,737	102,245	9.7x	n.a.	13.4x	10.5x
New Hope Liuhe	113,112	154,545	7.5x	n.a.	11.9x	8.7x
Beijing Dabeinong	97,878	94,913	17.0x	12.0x	25.5x	18.1x
Guangdon Haid	55,390	59,648	16.8x	9.9x	32.6x	19.6x
Tongwei	38,023	42,237	14.4x	10.6x	24.9x	18.7x
Xinjiang Tiankang	22,563	24,023	16.7x	11.8x	26.6x	19.4x
Jiangxi Zhengbang	16,340	34,911	19.6x	n.a.	n.a.	24.7x
Shenzhen Jinxinnong	9,871	8,290	n.a.	n.a.	n.a.	26.2x
Ningbo	9,111	12,791	16.1x	n.a.	30.1x	20.3x
Mean			**14.7x**	**11.1x**	**23.5x**	**18.5x**
Median			**16.4x**	**11.2x**	**25.5x**	**19.4x**

Source: Bloomberg as of 28 May 2014

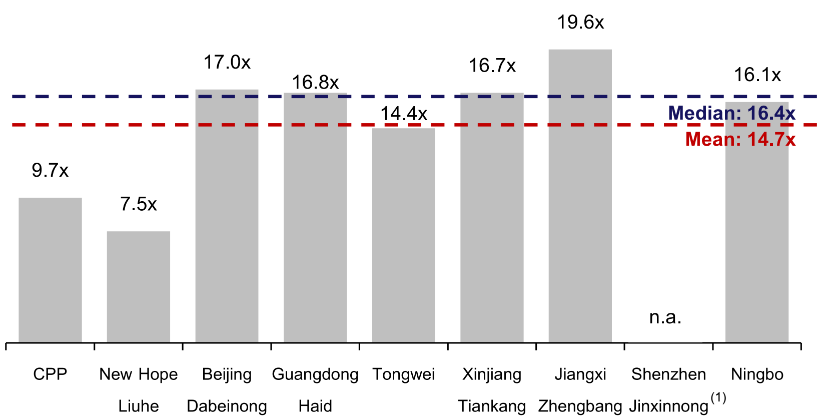
For the trading comparable approach, the IFA has selected the followings multiples to value Kaifeng's equity or enterprise value.

- EV/EBITDA Multiple
- P/E Multiple

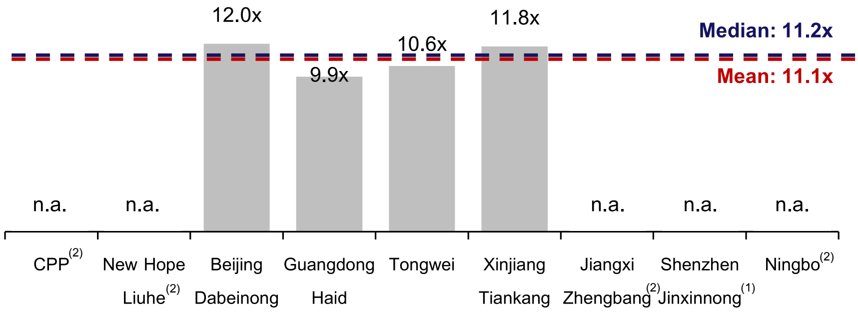
The IFA has used 2013 and 2014 projected operational metric of Kaifeng and trading comparable companies to determine the value of Kaifeng's enterprise and equity value.

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

2013 EV/EBITDA



2014E EV/EBITDA



Source: Bloomberg and Capital IQ as of 28 May 2014

Note : (1) In 2013 Shenzhen Jinxinnong had a lower performance than usual thus EBITDA could not reflect the normal situation of the Company

(2) No projected EBITDA

Summary of Valuation Results Based on EV/EBITDA Multiple

	2013		2014E	
Unit	**RMB million**	**THB million(2)**	**RMB million**	**THB million(2)**
Assumptions				
EBITDA and estimated EBITDA	35.0(1)	184.6(1)	33.2	175.2
Result				
Median EV/EBITDA ±10%	14.8x - 18.1x		10.1x - 12.3x	
Range of enterprise value	517.3 - 632.2	2,731.1 - 3,338.0	334.4 - 408.8	1,765.8 - 2,158.2
Range of equity value	470.6 - 585.5	2,484.6 - 3,091.5	287.7 - 362.1	1,519.3 - 1,911.7

Note: (1) 2013 EBITDA is adjusted for trademark expenses which accounted for 1.5% of total revenues in order to make it consistent with 2014E EBITDA

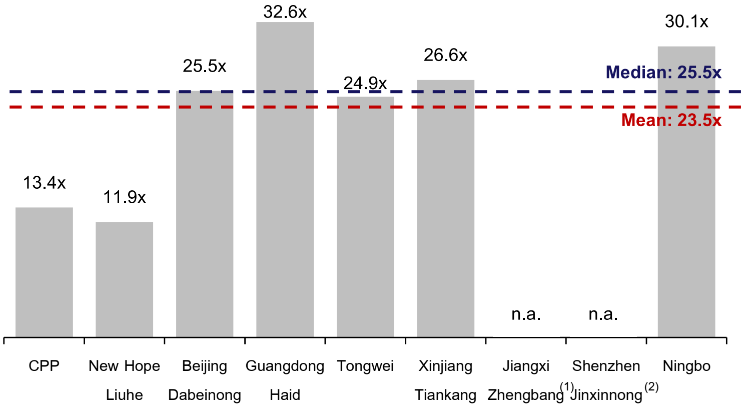
(2) Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

Based on the range of ± 10% of EV/EBITDA multiple of comparable companies, the equity value of Kaifeng lies between RMB 470.6 - 585.5 million or approximately THB 2,484.6 - 3,091.5 million for EV/EBITDA 2013 and RMB 287.7 - 362.1 million or approximately THB 1,519.3 - 1,911.7 million for EV/EBITDA 2014E (Exchange rate of THB 5.28 / RMB as of 20 May 2014).

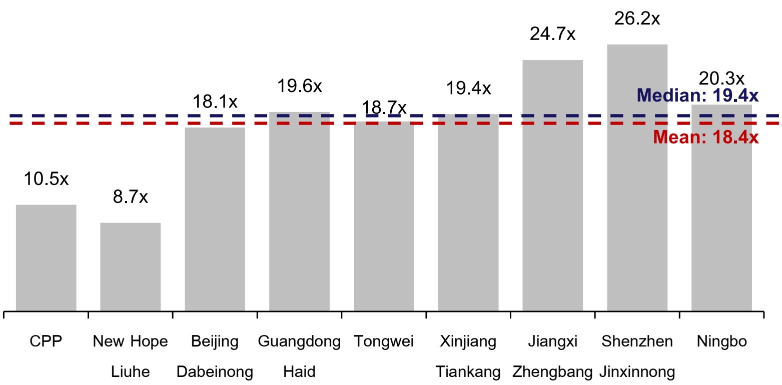
Price to Earnings Ratio (P/E Multiple)

Similar to EV/EBITDA multiple, P/E multiple is used to calculate value of Kaifeng by multiplying its net profit with P/E multiple of the peer companies. The IFA adopts the same approach of minimum and maximum range, the fair value of Kaifeng's equity value would also be found in range.

2013 P/E



2014E P/E



Source: *Bloomberg and Capital IQ as of 28 May 2014*

Note: *(1) In 2013 Jiangxi Zhengbang had a negative net profit thus is excluded from the calculation*

(2) In 2013 Shenzhen Jinxinnong had a lower performance than usual thus EBITDA does not reflect the normal situation of the company

Summary of Valuation Results Based on P/E Multiple

	2013		2014E	
Unit	**RMB million**	**THB million(2)**	**RMB million**	**THB million(2)**
Assumptions				
Net profit and estimated net profit	21.8 (1)	115.2(1)	19.8	104.7
Result				
Median P/E ± 10%	22.9x - 28.0x		17.4x - 21.3x	
Range of equity value	500.1 - 611.2	2,640.3 - 3,227.0	345.8 - 422.7	1,826.0 - 2,231.8

Note: *(1) 2013 net profit is adjusted for trademark expenses which accounted for 1.5% of total revenues in order to make it consistent with 2014E net profit (post-transaction)*

Based on the range of ±10.0% of P/E multiple of comparable companies, the equity value of Kaifeng lies between RMB 500.1 - 611.2 million or approximately THB 2,640.3 - 3,227.0 million and RMB 345.8 - 422.7 million or approximately THB 1,826.0 - 2,231.8 million for P/E 2014E (Exchange rate of THB 5.28 / RMB as of 20 May 2014).

Precedent Transaction Comparable Approach

Precedent transaction comparable approach is used to value Kaifeng by comparing past merger and acquisition transaction multiples in animal feed industry between 2009 and April 2014. The IFA categorizes the precedent transaction comparable into 2 groups, one for transactions that occurred in China and another one for transactions that occurred in Asia Pacific (excluding Japan, Australia and New Zealand).

Announced Date	Target Company	Bidder	% Acquired	Deal Value (USD milllion)	Implied EV/EBITDA	Implied P/E
Merger and Acquisition in China						
12 Feb 14	Zhanjiang Guolian Aquatic Products Co., Ltd.	Zhanjiang Huaxin Real Estate Development Co., Ltd.	4.4	24	1.0x	27.7x
25 Nov 11	C.P. Pokphand Co., Ltd.	CPF and CPF's subsidiary	72.0	2,174	11.9x	13.6x
13 Sep 10	Liuhe Feed Co., Ltd	New Hope Liuhe Co., Ltd.	24.0	152	7.4x	5.9x
9 Sep 10	Shandong Liuhe Group Co., Ltd.	Sichuan New Hope Agribusiness Co., Ltd.	100.0	829.3	7.8x	9.7x
15 Jul 09	30% Stake of Angel Yeast (Yili) and 10.5% Stake of Angel Yeast (Chifeng) and 65% Stake of Yichang	Angel Yeast Co., Ltd.	100.0	108	n.a.	n.a.
17 Feb 09	COFCO Xinsha Grain & Oil Industry (Dongguan) Co., Ltd.	China Agri-Industries Holdings Limited	100.0	76	n.a.	11.1x
12 Feb 09	COFCO Xinsha Grain & Oil Industry (Dongguan) Co., Ltd.	COFCO (Hong Kong) Co., Ltd.	100.0	76	n.a.	11.1x
17 Jul 08	Shandong Xinchang Group Co., Ltd.	Tyson Foods, Inc.	60.0	21	n.a.	n.a.
Merger and Acquisition in Asia Pacific (excluding Japan, Australia and New Zealand)						
17 Dec 12	Godrej Agrovet Limited	V-Sciences Investments Pte Ltd.	20.0	104	n.a.	n.a.
19 Sep 12	SunJin Holdings Co.,Ltd.	Harim Holdings Co.,Ltd.	100.0	88	0.4x	12.1x
5 Jul 12	Vietnamese-French Cattle Feed Joint Stock Company	Masan Group Corporation	40.0	96	n.a.	n.a.
18 Nov 10	Emivest Bhd	Emerging Glory Sdn. Bhd.	100.0	82	n.a.	n.a.
22 Jul 09	PT Japfa Comfeed Indonesia Tbk	Malvolia Pte Ltd.	41.0	37	6.8x	11.7x
15 Jul 09	5 Companies Holding Stakes in Charoen Pokphand Enterprise (Taiwan) Co. Ltd.	CPF Investment Limited	100.0	24	5.4x	8.1x
China						
Mean					**7.0x**	**13.2x**
Median					**7.6x**	**11.1x**
Asia Pacific (except Japan, Australia and New Zealand)						
Mean					**4.2x**	**10.6x**
Median					**5.4x**	**11.7x**

Source: Capital IQ and Factset as of 28 May 2014

However, there is limited information on previous merger and acquisition transactions. Each transaction has its own unique circumstance such as stake acquired, ability to obtain controlling stake, expected synergies, demand and supply of animal feeds at the time and negotiation. All of these factors have contributed to difficulties in comparing among transactions. Therefore, the IFA views that comparison with previous merger and acquisition transactions is not an applicable for the valuation of Kaifeng's equity value.

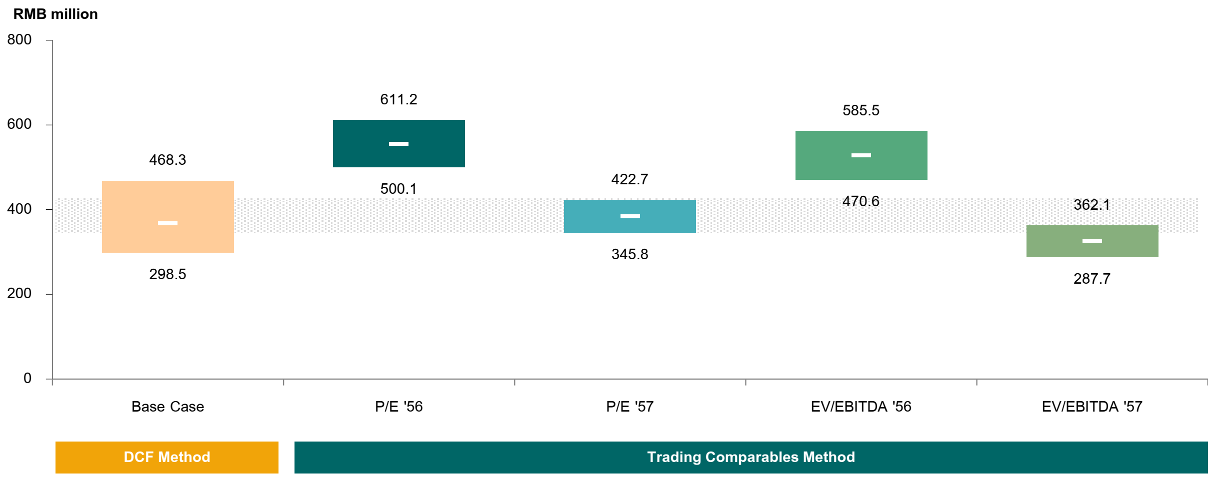
4.3 Summary of the Fairness of the Price of the Acquisition of the Entire Investment in Kaifeng

No.	Valuation Approaches	Equity Value (RMB million)	Equity Value[1] (THB million)	Premium / (Discount) to Acquisition Price (%)
1	Discounted Cash Flow Approach	298.5 – 468.3	1,575.9 - 2,472.4	(4.0) – 50.6
2	Market Comparable Approach			
	2.1 EV/EBITDA	287.7 - 585.5	1,519.3 - 3,091.5	(7.5) – 88.3
	2.2 P/E	345.8 - 611.2	1,826.0 - 3,227.0	11.2 – 96.5

Notes: [1] Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

The appropriate valuation result can be summarized as follows;

Valuation Range of Kaifeng's Equity Value



The IFA has studied, reviewed and analyzed information, under the conditions and certain limitations as discussed in previous sections using various valuation method and has the Opinion that the fair valuation range of Kaifeng should be between RMB 350 million and 420 million or approximately THB 1,848 – 2,218 million. The acquisition price of RMB 311 million or approximately THB 1,642 million is below the fair range of value by 12.5% - 35.0% and reflects the 2013 Implied P/E ratio[1] of fair value of 16.0x – 19.2x and the 2014E Implied P/E ratio of 17.6x – 21.1x. The IFA is of the opinion that the offer price of RMB 311 million or approximately THB 1,642 million is appropriate. (Exchange rate of THB 5.28 / RMB as of 20 May 2014).

Note: [1] 2013 net profit is adjusted for trademark expenses which accounted for 1.5% of total revenues in order to make it consistent with 2014E net profit (post-transaction)

5. The Disposal of the Entire Investment in Rapid Thrive

5.1 Reasonableness of the Disposal of the Entire Investment in Rapid Thrive

5.1.1 The Objectives of the Connected Transaction

- **In compliance with CPP's policy to exit non-core businesses and to invest in the core business for highest benefits**

The manufacturing and sale of motorcycles is not part of CPP's core businesses. Therefore, the execution of the Disposal of the Entire Investment in Rapid Thrive will be in accordance with CPP's policy to exit non-core businesses. This will enable CPP to devote resources previously used in motorcycle businesses, such as capital investment and management's time, to its core businesses – agro-industrial and food business. In 2013, the profts from CPP's motorcycle business was 1.9% of CPP's total net profit.

5.1.2 Advantages and Disadvantages of Entering into the Connected Transaction

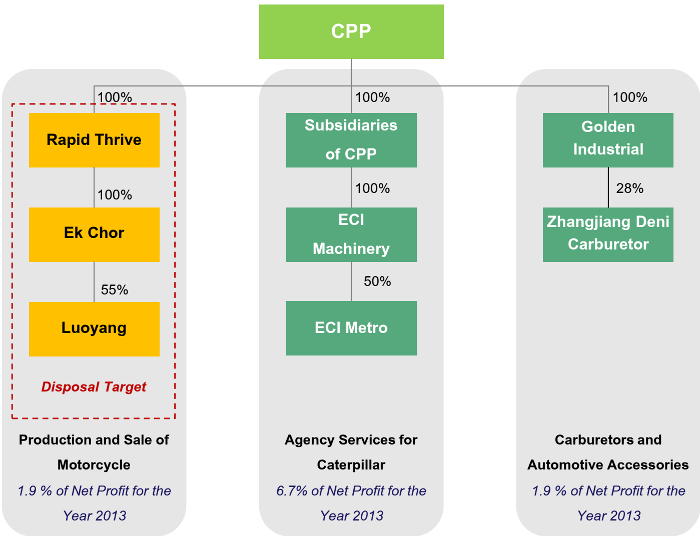
Advantages of Entering into the Connected Transaction

- **The disposal is part of long-term business plan in China that aims to utilize resources in core business**

In 2013, the profits from CPP's motorcycle business accounted for only 1.9% of CPP's total net profit. As stated above, the manufacturing and sale of motorcycles is not part of the Company's and CPP's core businesses. Therefore, to follow the Company's plan to focus on core agro-industrial and food businesses, the Disposal of the Entire Investment in Rapid Thrive will enable the Company and CPP to devote resources previously used in the motorcycle businesses, such as capital investment and management's time, to their core businesses.

Moreoever, as the Chinese government has imposed restrictions on motorcycle usage to countermeasure pollution, motorcycle manufactures are obliged to abide by the laws and adapt their businesses accordingly. To maintain competitiveness in the motorcycle industry requires additional investment and management efforts. Therefore, the Disposal of the Entire Investment in Rapid Thrive will exempt the Company and CPP from having to invest additional capital into motorcycle industry.

CPP's Investment Structure in Industrial Business as of 15 May 2014



Notes: *(1) Rapid Thrive is a holding company that invests solely in Ek Chor*
(2) Ek Chor is a holding company whose primary business is investment in Luoyang

- **Consideration received from the Disposal of the Entire Investment in Rapid Thrive can be used to invest in Company's core businesses**

CPP will receive a consideration value of USD 49.5 million or approximately THB 1,617 million (Exchange rate of THB 32.67 / USD as of 20 May 2014) from the Disposal of the Entire Investment in Rapid Thrive. The consideration received can be reserved for investment in agro-industrial and food businesses, which are the Company's core businesses.

Disadvantages of Entering into the Connected Transaction

- **Company may forego potential financial benefits in case that Luoyang is successful in launching new products or Luoyang's performance is better than management expected**

Luoyang is currently adjusting its business strategy by launching new product such as four-wheel motorcycle, which may turn out to be more successful than management currently anticipates. In that case, the Company may not receive full financial benefits of this new product.

5.1.3 Advantages and Disadvantages of not Entering into the Connected Transaction

Advantages of not Entering into the Connected Transaction

- **Customers base of CPP's carburetors and automotive accessories business will not be affected**

Luoyang is one of CPP's customers in carburetors and automotive accessories business. The Disposal of the Entire Investment in Rapid Thrive may cause CPP's customer base to become smaller if CPG chooses to purchase these parts elsewhere. CPP's carburetors and automotive accessories business will not be affected if the Company decides not to enter into the Connected Transaction. Nevertheless, carburetors and automotive accessories business is also a non-core business of CPP, contributing only 1.9% of total net income in 2013. Therefore, the impact from enterting into the Disposal of the Entire Investment in Rapid Thrive may not be significant to Company's or CPP's financial performance.

Disadvantages of not Entering into the the Connected Transaction

- **Company bears risk on lower return on investment if additional investment is required in Luoyang and if it proves unsuccessful which would negatively impact earnings of CPF and CPP**

If the Company were to keep its mortorcycle business under the current industry landscape, additional investment and management input may be required. In doing so, Company's operations, operating profits or financial status may be negatively affected if additional investment in motorcycle business proves unsucessful.

- **Company will not receive the consideration from the Disposal of the Entire Investment in Rapid Thrive**

If Company does not enter into the Disposal of the Entire Investment in Rapid Thrive, the Company will not receive any consideration and may have to seek other financing alternative for its core businesses.

5.1.4 Advantages and Disadvantage Comparison of Entering into the Connected Transaction with Connected Person and Entering into a transaction with a Third Party

Luoyang is a joint venture established by a Chinese partner and CPG to engage in the manufacture and sale of motorcycle in China. The main operator of the business is CPG. According to the agreement, Ek Chor and the Chinese partner have a Right of First Refusal if the other party intends to transfer its stake to a third party outside its group.

When the Company acquired stake in CPP in 2011, the Company and CPP have a policy to exit non-core business including the manufacture and sale of motorcycle business. Moreover, motorcycle industry is currently in a transition period and the business would require additional resources and time of the management. The Disposal of the Entire Investment in Rapid Thrive is consistent with the Company's and CPP's policy. Nevetheless, if the Company might not receive a good price if it were to sell its stake to the Chinese partner since the Chinese partner is not the main operator of the business. The Disposal of the Entire Investment in Rapid Thrive to CPG's subsidiary is a sale to the original operator at a fair valuation. Therefore, the Disposal of the Entire Investment in Rapid Thrive is beneficial to the shareholders of the Company.

5.2 Reasonableness of the Price and the Conditions of the Disposal of the Entire Investment in Rapid Thrive

5.2.1 Key assumptions in the preparation of the Opinion

In preparing this Opinion, the IFA have assumed, among others but not limited to the followings:

- All information, financial statements or data supplied or otherwise made available to the IFA is correct, accurate and complete. Neither the IFA nor any of its officers or employees has independently verified any of the information or data contained in this Opinion or assumes any responsibility for the accuracy or completeness of such information or data (whether arising from negligence or otherwise) contained in or for any omissions from, this Opinion. The IFA assumes no obligation to update or otherwise revise this Opinion.
- Unless otherwise explicitly described in this Opinion none of the events has occurred, is about to occur or is expected to occur that may have material adverse change in the condition (financial, operational, legal or otherwise), of the earnings, business affairs or business prospects of any of Rapid Thrive, Ek Chor and Luoyang. Furthermore, the IFA has assumed that there is no other material adverse event including, but not

limited to, economic condition, financial position or legal imposition that could have material adverse effect on Rapid Thrive, Ek Chor and Luoyang and/or subsidiaries of Rapid Thrive, Ek Chor and Luoyang.

- Each of business contracts of Rapid Thrive, Ek Chor and Luoyang which is mentioned or is referred to herein including the share purchase agreement is valid, binding and enforceable of all parties thereto under the law. There are no facts or circumstances in existence and that no event has occurred, that would render any business contracts or any part thereto void or voidable or repudiated or frustrated or capable of rescission or revocation on the part of any of the parties thereto.

5.2.2 Valuation Methodologies

Rapid Thrive is a holding company that invests solely in Ek Chor. Ek Chor has no other significant businesses aside from its 55.0% holding in Luoyang. Therefore, the IFA has performed the valuation of entire investment in Rapid Thrive by estimating the value of Ek Chor's investment in Luoyang and combining it with the net book value of Ek Chor's other assets.

The IFA has conducted the valuation of Luoyang's As-is business ("As-is") using and/or refering to several methodologies and publiclily available price benchmarks as follows:

1. Discounted Cash Flows Approach or DCF
2. Trading Comparable Approach
3. Precedent Transaction Comparable Approach
4. Book Value Approach

The appropriateness of each methodology used by the IFA is discussed as follows:

- **DCF Approach**

DCF is an approach used to estimate the company's intrinsic value based upon its fundamental, by discounting expected future cash flows to the firm. It is generally used for valuation of business, whose cash flows is currently positive and can be estimated with reasonable accuracy for future periods. DCF can incorporates the Company's specific assumptions, including business expansion plan, the choice of product mix target, any changes in business plan and cost management that will reflect Luoyang's unique business model and Luoyang management's strategy and vision: for examples, the introduction of Luoyang's new four-wheel motorcycle product line and the transformation of production mix to increase the proportion of exports. DCF is better able to reflect the value that may arise from these new strategies than other approaches. <u>Therefore, DCF is an appropriate method in estimating the value of Luoyang.</u>

- **Trading Comparable Approach**

Trading comparable approach is based on the assumption that a company's market trading price correctly reflects the company's fair value. Therefore, a company could be valued at the same or similar range of relevant multiples as those of companies in the same or similar business being traded in one or more stock exchanges in China. Nevertheless, the number of publicy traded companies that manufacture motorcycles and motorcycle engines in China is very limited.

The IFA selected companies operating the same business as or similar to Luoyang, considering the following factors; type of business, the proportion of revenues from motorcycle business and the proportion of domestic sales.

The IFA views that the appropriate multiples are EV/EBITDA and P/E. However, motorcycle industry in China is undergoing transformation and associated regulations are still uncertain. Many companies in the industry face operating losses and each is adapting its businesses to changing mortorcycle market in its own way. This leads to an industry with a group of companies having significant differences in business operations and strategic focus, which makes comparasion difficult to justify. Therefore, the IFA views that the Trading Comparable Approach is not an appropriated method to perform Luoyang's valuation.

- **Precedent Transaction Comparable Approach**

Precedent transaction comparable approach values Luoyang by analyzing multiples from precedent comparable merger and acquisition transactions in the same industry. However, the agreed price of each transaction is driven by various factors which are specific to each company and each transaction, such as proportion of shares purchased, ability to obtain controlling stake, expected synergies and negotiation. Due to the limitation described above and the fact that information of precedented transactions within motorcycle industry is significantly limited, the IFA views that precedent transaction comparable approach is not an appropriated method to perform Luoyang's valuation.

- **Book Value Approaches**

Book value approach is a valuation methodology used to value a company based on the liquidation of asset in case of exit or cease of business operation according to value reported on the financial statement for both assets and liabilities. The book value approach is suitable for the sale of businessese in which the sellers wishes to cease all operations or exit from that particular business. In such event, the consideration received should at least be equal to the company's accounting value. The disposal of the entire investment in Rapid Thrive is in accordance with the Company's policy to exit from non-core businesses. Therefore, the IFA has decided that the book value approache is an appropriate method to perform Luoyang's valuation.

5.2.3 Key Financial Assumptions for Base Case

5.2.3.1 Luoyang's revenue and gross profit margin projections

Luoyang's products can be categorized into 4 main types: two-wheel motorcycles, four-wheel motorcycles, motorcycle engines and two-wheel motorcycles for exports. Two key drivers in Luoyang's revenue forecast are the growth of sales volume and the growth of average selling price.

The growth of sales volume of the first 3 types of products depends on domestic demand in China, related regulations, alternative transportation modes, models and types of motorcycles, purpose and location of use. On the other hand, the growth of mototrcycle for exports relies on the demand from trade partners such as Myanmar, Philippines, Bangladesh and North African countries – all of which are developing economies. According to management's estimates, the growth trend of demand for two-wheel motorcycles in China is expected to be minimal. This would curtail the volume of two-wheel motorcycles and motorcycle engines. However, the management has anticipated the growth of the new four-wheel motorcycle to be favorable as it is a new product category that satisfies the need of the target consumers. Moreover, growth in motorcycle exports segment is expected to be healthy due to tremendous demand in developing countries and the popularity of motorcycles among their lower-income population.

Factors that affect revenue, costs and gross profit margin of different product types and assumptions used in projections

Two-wheel Motorcycle

- **Factors that affect the growth of sales volume:** The sales volume depends on domestic demand in China, related regulations, alternative transportation modes, models/types of motorcycles, purpose and location of use. In the past, demand for Luoyang's two-wheel motorcycles was severely affected by government restriction on motorcycle usage, which bans the use of motorcycles in more than 100 cities across the country. In response, Luoyang is shifting its target towards rural consumers and design specific products that will satisfy the needs of such consumers group. Luoyang's management anticipates the total sales volume to shrink in 2014 due to stagnant demand, but will expand again from 2015 onwards as a result of its new strategy.

- **The growth of average selling price**: The average selling price of two-wheel motorcycles depends on comsumer demand and models types mix of motorcycles sold. Since motorcycle industry in China is highly competitive, the ability to adjust price is low. Therefore, the growth of the average selling price relies on the ability to pass on rising production cost to the consumers, which is limited. Due to the decreasing demand for motorcycles, Luoyang's management anticipates that the average selling price of two-wheel motorcycle will be in line with historical level.

- **Gross profit margin:** Gross profit margin for two-wheel motorcycles is on a declining trend due to falling demands for motorcycles as stated in the previous section. Luoyang's management estimates that the gross profit margin for two-wheel motorcycles will be lower than the average of the historical level.

Four-wheel Motorcycles

- **Factors that affect the growth of sales volume:** Luoyang's management estimated that the demand for four-wheel motorcycles will increase and the volume of sales will grow significantly. This is due to the fact that four-wheel motorcycles utilized electric engines, which are not currently impacted by the regulations that prohibit the use of motorcycles in the city. The target consumers for four-wheel motorcycles are middle income and elderly population who use the vehicle to make short trips within the city. These groups of consumers are expanding rapidly. In 2013, Luoyang invested to expand the production capacity of four-wheel motorcycles to meet the growing demand and anticipated that the new facility will be able to start production by the end of 2014.

- **The growth of average selling price**: The average selling price of four-wheel motorcycles cannot be reliably estimated since it is a new product line. Therefore, Luoyang's management forecasts the price by maintaining the historical level.

- **Gross profit margin**: Gross profit margin for four-wheel motorcycles is higher than that of two-wheel motorcyles. Luoyang's management estimates that the company will be able to maintian gross profit margin for four-wheel motorcycles at the present level since it is a new product that can satisfy the needs of consumers.

Motorcycle Engines

- **Factors that affect the growth of sales volume:** Luoyang manufactured and supplied motorcycle engines to three-wheel motorcycles manufacturers. According to the interview with management, Luoyang has recently acquired new customer who will purchase the engines from the company. The management anticipated that this new customers' demand will be a key driver in boosting the sales volume of motorcycle engines.

- **The growth of average selling price**: The growth of the average price of motorcycle engines is limited due to the continuously declining demand for motorcycles in China.

- **Gross profit margin**: The gross profit margin for motorcycle engines depends on the model/type mix and type of engines sold which varies according to consumer demand every year. The gross profit margin also depends on the overall demand of motorcycles in China. Luoyang has forecasted that the company will be able to maintain the historical average gross profit margin.

Motorcycle for Exports

- **Factors that affect the growth of sales volume:** Luoyang's management forecasts that the demand for motocycle for exports will rise in 2014. This is due to the increasing demand from trading partners, their strong economic's growth and their more stabilizing political situation. These factors are estimated to fuel consistent sales growth throughout the projection period.

- **Growth of average selling price:** The average price of motorcycle for exports have dropped significantly in 2013 due to political problems of some key trading partners and the appreciation of the Chinese currency. Luoyang's management estimates that prices will remain constant at 2014 price level throughout the projection period.

- **Gross profit margin:** Gross profit margin of motorcycle for exports is determined by the demands from trading partners and the model/types mix in a given year. The company expects the gross profit margin of exports category be lower than the gross profit margin of domestic sales. This is due to intense global competition, additional cost of exports and exchange rate risk. The company estimates that it will be able to maintain its historical average gross margin.

Historical and estimated average growth of total sales volume is shown in the table below:

Unit: Percent	2011	2012	2013	2014E – 2018E
Total sales volume growth rate	(13.2)	(4.8)	(18.1)	2.3 – 9.7

Historical and estimated growth rate of average selling price is shown in the table below:

Unit: Percent	2011	2012	2013	2014E – 2018E
Average selling price growth rate	4.4	0.2	7.6	2.5 – 13.9

Historical and estimated average gross profit margin is shown in the table below:

Unit: Percent	2011	2012	2013	2014E – 2018E
Average GPM	8.6	8.8	8.8	9.1 – 10.7

5.2.3.2 SG&A projection Luoyang's SG&A consist of sales commission, admistrative expenses, research and development expense, travel expenses, other equipment-related costs,utilities expenses such as electricity and cleaning costs), entertainment expense, consulting expense and depreciation and amortization expense.

5.2.3.3 SG&A Assumptions

- Luoyang's policy is to shift its focus to target group that is currently not its main target customer. In order to expand into this new market segment, additional selling expense will be required.
- Luoyang's policy aims to create new products to suit consumers in various regions. Therefore, additional research and development expenses are required. This research and development expense is part of general and administrative expense.

Historical and estimated of selling expense as percent of total revenue is shown in the table below:

Unit: Percent	2011	2012	2013	2014E – 2018E
Selling expense as percent of total revenue	4.2	4.1	4.4	4.8 – 5.1

Historical and estimated growth rate of general and administrative expense is shown in the table below:

Unit: Percent	2011	2012	2013	2014E – 2018E
General and administrative expense growth rate	(2.9)	(6.2)	(0.3)	10.0 – 15.6

5.2.3.4 Capital Expeditures Projection

From 2014 to 2018, Luoyang's capital expeditures will comprise the expansion of four-wheel motorcycle production capacity and maintenance of existing facilities.

- Luoyang plans to spend a total of RMB 55 million to expand the production capacity of four-wheel motorcycle. Currently, RMB 10 million has already been invested. This investment will increase the production capcity of four-wheel motorcycle from 30,000 units per year to 100,000 units per year. The new capacity will be able to commence operation in 2015.

- Luoyang has reserved provision for maintenance expenditures of existing plants. Luoyang's management estimates that annual maintenance would require RMB 10 million per annum. The IFA assumes maintenance expenditure to be equal to depreciation expense in the terminal year to maintain property, plant and equipment value.

- Working capital assumptions

The IFA's working capital assumptions are based on the company's 3-year historical average.

Historical and estimated working capital requirement is shown in the table below:

Unit: Days	2011	2012	2013	2014E - 2018E
Average account receivable days[(1) (2)]	53.8	69.7	64.5	Maintain at 3-year historical average and remain stable over the projection period
Average account payable days[(1)]	18.5	17.0	25.9	
Average inventory days[(1)]	18.5	17.0	25.9	

Notes: [(1)]Calculated on 365 day basis

[(2)]Since Luoyang receives cash payment for domestic sales, account receivable days are calculates from export sales only

5.2.3.5 Other Assumptions

Apart from the key assumptions the were mentioned earlier, the IFA has made other key financial assumptions as follows:

- A straight-line depreciation at different useful life assumptions are applied to each assets class's useful life. The adopted useful life periods are shown in the following table.

	Building	Machines and Other Equipments
Useful life (year)	20	10

- Profits from Luoyang's other businesses – Apart from sales of the 4 main types of products, Luoyang also receives income from other businesses including royalty payment for using the brand Dayang, the repair services and sales of motorcycle parts and investment income. Management estimates that the gross profit from the repair services and sales of motorcycle parts and royalty fee received will be similar to historical figures at RMB 70 – 78 million per year while investment income is estimated to be in the range of RMB 10 – 14 million per year.

- The assumption of core inflation in China is based on research deparment of BofAML which expects core inflation to be 2.7% in 2014 and 3.5% from 2015 onwards.

- Luoyang's net cash is valued at RMB 351.0 million as of 31 March 2014

- Valuation date as of 1 April 2014

5.2.4 Discounted Cash Flows Approach:

Under DCF approach, the IFA calculates the net present value of future cash flows of Luoyang's business using an appropriate discount rate which is derived as follows:

- **Discount rate (Weighted Average Cost of Capital "WACC")**

The discount rate used to discount future cash flows should reflect the expected rate of return required to compensate the risk undertaken for the investment. While choosing an appropriate discount rate, various factors have to be taken into consideration, including the cost of debt, tax rate, risk free rate, market risk premium for investing in China's stock market relative to risk free rate and the risk of investment in Luoyang relative to the risk of investment in Shanghai Stock Exchange. The IFA estimates the discount rate by calculating the WACC as follows:

WACC is calculated as:

WACC = Ke*(1 – (E / (D + E)) + Kd*(1 - T)*(D / (D + E))

Where

Ke	=	Rate of returns to common stock holders, which is calculated using CAPM or Ke = Rf + β*(Risk Premium)
Kd	=	Luoyang's current cost of debt
T	=	Marginal tax rate
D	=	Interest-bearing debt
E	=	Shareholder's equity
D / (D+E)	=	Luoyang's Target Capital Structure which is similar to median of peers'

whereby

Rf	=	Risk-free rate on 10-year Chinese government bond *source: Research Deparment of BofAML*
β (Beta)	=	The volatility of daily return in relation to Shanghai Index and return of other listed motorcycle companies[(1)] which is calculated to be approximately 1.04 *source : Bloomberg as of 28 May 2014*

Risk Premium (Rp) = Market Return from investing in Shanghai Stock Exchange that is above and beyond the returns from risk-free investments obtained by using analysts estimate *source: Research Department of BofAML*

Note: [(1)] Companies that are taken into account for β consideration are Loncin, Lifan, China Jialing, Qianjiang and Linhai

WACC Calculation (Unit: %, unless stated otherwise)

Rf	4.0
Rp	7.5
Levered β (Times)	1.0
Cost of Equity (Ke)	11.5
Cost of Debt (Kd)	Luoyang has no interest-bearing debt
1 – D / (D+E)	100.0
D / (D+E)	0.0
Corporate Tax Rate in China	25.0
WACC used as discount rate for DCF	**10.5 – 12.5**

- **Luoyang Cash Flow Projection (2014 – 2018)**

Unit: RMB million	2014	2015	2016	2017	2018
Earnings before interest and tax, depreciation and amortization (EBITDA)	65.7	62.3	70.5	72.3	70.4
Free cash flows to firm	**(66.1)**	**57.5**	**66.8**	**59.8**	**59.3**

- **The Valuation Result of Luoyang using Discounted Cash Flow Approach (DCF)**

The IFA has applied valuation sensitivity factors to WACC and 0.0% – 1.0% terminal growth rate to determine the DCF valuation range.

	Terminal Growth Rate 0.0% – 1.0% **Luoyang's Equity Vaue** RMB million / THB million
WACC 10.5 – 12.5 %	505.6 – 535.1 / 2,669.6 – 2,825.4

Note: Exchange rate of RMB 5.28 / THB (source: Bank of Thailand as of 20 May 2014)

- **Other Assumptions related to Investment in Rapid Thrive's valuation**

Apart from methodologies and assumptions stated above, Rapid Thrive's valuation is calculated based on the following assumptions:

- Rapid Thrive is a holding company that does not engage in any businesses other than its 100.0% holdings in Ek Chor. Rapid Thrive's assets and shareholders' equity are as follows:
    - ❖ Rapid Thrive's assets consist only of 100.0% holdings in Ek Chor and USD 11.4 million loan to Ek Chor (as of 12 May 2014)
    - ❖ All of Rapid Thrive's liabilities is USD 41.5 million loan from CPP, which is interest-free and callable upon demand. (as of 21 May 2014)
    - ❖ Rapid Thrive's total equity are held entirely by CPP (as of 21 May 2014)
- Since Rapid Thrive is the sole shareholder of Ek Chor and also the debtor of Ek Chor USD 11.4 milion loan, which has no specified principal repayment and zero interest rate, the IFA views the disposal of entire investment in Rapid Thrive is equivalent to the disposal of entire investment in Ek Chor.
- Ek Chor is a holding company that owns 55.0% of Luoyang and has other assets and liabilities as follows:

As of 30 April 2014	Value		Basis of Valuation
Unit	**USD million**	**THB million**	
Investment properties	8.3	270.0	Fair value last appraised on 31 December 2013
Plant, properties and equipments	0.0	0.1	Book Value
Other current assets	0.9	29.2	Book Value
Other payable	3.7	119.7	Book Value

As of 30 April 2014	Value		Basis of Valuation
Unit	**USD million**	**THB million**	
Net value of other assets	**5.5**	**179.6**	

Source: Internal financial statements prepared by Ek Chor's management which have not been reviewed by the auditor

Notes: (1)Exchange rate of THB 32.67 / USD (source: Bank of Thailand as of 20 May 2014)

Thus, Rapid Thrive's value can be derived from combining Ek Chor's other net assets and the value of its 55.0% holding in Luoyang.

The Valuation Result of Rapid Thrive Using Discounted Cash Flow Approach (DCF)

Since Rapid Thrive and Ek Chor are holding companies with no other significant businesses, the IFA derives the valuation of the entire investment in Rapid Thrive by first using DCF approach to estimate the value of Luoyang. The IFA then estimates the value of Ek Chor based on its 55.0% holdings of Luoyang and the net value of its other assets (USD 5.5 million or approximately THB 179.6 million) to obtain the fair value of the investment in Rapid Thrive. Based on the approach previously described, the value of entire investment in Rapid Thrive is USD 48.6 – 51.0 million or approximately THB 1,588.9 – 1,665.2 million at the WACC of 10.5% – 12.5% (Exchange rate of THB 32.67 / USD as 21 May 2014)

Sensitivity Analysis

Manufacturing and sale of motorcycle is a volatile business which depends on many uncontrollable external factors, such as laws and regulations that affect demand for motorcycles, economic growth in China and in trading partners countries and the development of public transportation which is an alternative mode of transportation. There is also uncertainty on whether the new four-wheel motorcycles will be regulated in the city. Moreover, the base case is based on Luoyang management which estimates that the company will be able to grow faster than the overall Chinese motorcycle industry. Therefore, the IFA has prepared a sensitivity analysis on assumptions that will have significant impact on the expected future cash flow of the business in different manner to that in base case. The IFA has included the following assumptions for analysis.

- **Case 1: The demand for four-wheel motorcycle is weaker than expected**

According to the interview with Luoyang's management, the demand for four-wheel motorcycle will be severely affected if these changes are enforced:

1) The Chinese government decides to categorize the product as regular motorcycle and ban them from relevant Chinese cities.
2) Driving license is required to operate four-wheel motorcycle, which may incur additional costs fo four-wheel buyer
3) Four-wheel motorcycle needs to be registered, which may incur additional costs fo four-wheel buyer

For case 1, the IFA runs on a case that that the volume growth rate of four-wheel motorcycle is half of the management estimates from 2017 onwards.

- **Case 2: Greater competition for four-wheel motorcycle segment**

The base case assumes that four-wheel motorcycle will be able to achieve high gross profit margin during the projection period. Based on interviews with Luoyang's management, competitors in motorcycle industry have started to launch similar products to Luoyang's four-wheel motorcycles. As a result, these product segment will experience more intense competition if Luoyang's competitors successfully launch their products. This will have significant impact on the profitability of Luoyang's four-wheel motorcycles. To evaluate such situation, the IFA runs on a case that the gross profit margin of four-wheel motorcycles will be the same as base case during the first 3 projection years; however, from 2017 onwards, the gross profit margin experiences a downward trend; hence, revised down to estimated long-term margin.

- **Case 3: The growth of two-wheel motorcycles follows the industry trend**

Companies in the motorcycle industry are currently adapting their business strategies to respond to the changing market environment. Luoyang's management has anticipated that the company will be successful in both domestic and export markets and will be able to grow faster than the overall Chinese motorcycle industry. However, many uncertainties still exist and to incorporate these, the IFA runs on a case that the volume growth of two-wheel motorcycles from 2015 onwards to be equal to the growth of the overall industry as forecasted by Business Monitor International.

- **Case 4: The previous 3 cases occur simultaneously**

To analyze the sensitivity of the entire investment in Rapid Thrive, the IFA assumes that Case 1, 2 and 3 occur simultaneously.

Summary of the Value of Entire Investment in Rapid Thrive in case 1 – 4 is as follows:

	Value of the Entire Investment in Rapid Thrive (USD million / THB million[1])
Case 1: The demand for four-wheel motorcycle is weaker than estimates	45.6 – 46.9 / 1,489.2 – 1,533.8
Case 2: Greater competition in four-wheel motorcycle segment	45.1 – 46.7 / 1,474.1 – 1,524.9
Case 3: The growth of two-wheel motorcycles follows the industry trend	46.4 – 48.3 / 1,517.0 – 1,576.6
Case 4: The previous 3 cases occur simultaneously	40.2 – 40.4 / 1,313.8 – 1,318.8

Note: [1]Exchange rate of THB 32.67 / USD (source: Bank of Thailand as of 20 May 2014)

5.2.5 Trading Comparable Approach

Trading comparable approach assumes trading multiples of companies with similar business profile, operations and environment to be comparable to the company under analysis. Based on this method, the IFA selected comparable group within the motorcycle industry that shares similar keys business characteristics in certain aspects with Luoyang as follows:

Comparable Group in China

1. Loncin Motor Co., Ltd. ("Loncin")

Loncin, established in 1992 and listed on the Shanghai Stock Exchange, has its headquarters in Chongqing. The company is engaged in manufacturing and sale of motorcycles, motorcycle engines, general engine and agricultural machines. The company has a cooperation agreement with BMW, a manufacturer of automobiles from Germany, in the production of automobile engines and motorcycles. Loncin exports to more than 80 countries, such as the United States, France, Germany, Vietnam, Australia, India, Iran, Philippines, Laos and Nigeria. In 2013, Loncin's total revenue was RMB 6,419 million; this represented an increase of 1.0% from 2012. Revenues from the motorcycle business accounted for 49.3% of total revenue while the remaining was from general engine and agricultural engine businesses. Revenues from exports accounted for 46.1% of total revenue. In 2013, Loncin's net profit was RMB 522 million, equivalent to 8.6% net profit margin.

2. Lifan Industry Group Co., Ltd. ("Lifan")

Lifan, established in 1993 and listed on the Shanghai Stock Exchange, has its headquarters in Chongqing. The company is engaged in manufacturing and sales of motorcycles, automobiles and general engines and in research and development in sciences and technology. The company owns 4,852 patents both domestically and internationally. The company has expanded its motorcycle production bases into Vietnam, Turkey and Thailand. In 2013, Lifan's total revenue was RMB 8,529 million; this represented an increase of 16.4% from 2012. Revenues from the motorcycle business accounted for 36.9% of total revenue while the remaining was from automobile businesses. Revenues from exports accounted for 53.5% of total revenue. In 2013, Lifan's net profit was RMB 424 million, equivalent to 4.3% net profit margin.

3. China Jialing Industrial Co., Ltd. ("China Jialing")

China Jialing, established in 1987 and listed on the Shanghai Stock Exchange, has its headquarters in Chongqing. The company's main products include motorcycles, motorcycle engines and general machinery parts. The majority of shares are owned by the Chinese government through China South Industry Corporation. The parent company has a technological cooperation with Honda since 1981 and is the first motorcycle company to have a technological cooperation with a foreign firm. In 2013, China Jialing's total revenue was RMB 1,839 million; this represented a decline of 16.9% from 2012. Revenues from the motorcycle business accounted for 98.2% of total revenue. Revenues from exports accounted for 32.8% of total revenue. In 2013, China Jialing's net loss was RMB 240 million, equivalent to (15.7%) net profit margin.

4. Zhejiang Qianjiang Motorcycle Co., Ltd. ("Qianjiang")

Qianjiang, established in 1997 and listed on the Shenzhen Stock Exchange, has its headquarters in Wenling, Zhejiang Province. The majority of shares are owned by the Chinese government. The company's products include motorcycles, scooters and mini motorcycles under the trade names "Qjiang", "Benelli", "Generic" and "Keeway." Qianjiang has five subsidiaries in China and one abroad with more than 10,000 employees. Currently, the company's production capacity for motorcycles and engines are 1.5 million and 2 million per year, respectively. Qianjiang exports to more than 136 countries. In 2013, Qianjiang's total revenue was RMB 3,169 million; this represented a decline of 10.8% from 2012. Revenues from the motorcycle business accounted for 93.0% of total revenue. Revenues from exports accounted for 47.3% of total revenue. In 2013, Qianjiang's net profit was RMB 14 million, equivalent to 0.4% net profit margin.

5. **Linhai Co., Ltd.** ("**Linhai**")

Linhai, established in 1956 and listed on the Shanghai Stock Exchange, has its headquarters in Linhai, Zhejiang Province. The company's main products include motorcycles, motorcycle engines, small benzene engines, forestry equipment, fire extinguishing equipment and yard care products. Linhai is one of the state enterprises assigned to manufacture and distribute motorcycle engines. The company has more than 40 years of experience in development and manufacture of small engines and general engine. In 2013, Linhai's total revenue was RMB 279 million; this represented an increase of 27.7% from 2012. Revenues from the motorcycle business accounted for 49.9% of total revenue while the remaining was from forestry equipment and other businesses. Revenues from exports accounted for 54.3% of total revenue. In 2013, Linhai's net profit was RMB 0.4 million, equivalent to 0.1% net profit margin.

6. **Chongqing Jianshe Motorcycle Co., Ltd.** ("**Jianshe**")

Jianshe, established in 1889 and listed on the Shenzhen Stock Exchange, has its headquarters in Chongqing. Jianshe traces its root to the Imperial era, when it was established as an arms factory during the Qing dynasty. Currently, it is engaged in manufacturing and sale of motorcycles, air conditioners for automobiles and automobile parts. The company has cooperation agreement with Yamaha Motor from Japan and has become the largest partner of Yanaha Motor in China since 2004. At the moment, Jianshe has more than 5000 employees worldwide. It exports to more than 87 countries. In 2013, Jianshe's total revenue was RMB 1,865 million; this represented an increase of 3.7% from 2012. Revenues from the motorcycle business accounted for 64.5% of total revenue while the remaining was from air conditioner for automobile and automobile parts. Revenues from exports accounted for 16.0% of total revenue. In 2013, Jianshe's net profit was RMB 12 million, equivalent to 0.6% net profit margin.

Comparable Peers Selection Analysis with Luoyang's Key Operating and Financial Ratio

Name	Business Characteristics	Revenue from Motorcycle Business in 2013 (%)	Revenue from Domestic Sales in 2013 (%)
Luoyang	**Manufacturing and sale of motorcycle and motorcycle engine**	**100.0**	**73.6**
Loncin	Manufacturing and sale of motorcycle, motorcycle engine, general engine and agricultural machine	49.3	53.9
Lifan	Manufacturing and sale of motorcycle, automobile and general purpose engine	36.9	46.5
China Jialing	Manufacturing and sale of motorcycle, motorcycle engine and general machinery parts	98.2	67.2
Qianjiang	Manufacturing and sale of motorcycle, scooters and mini motorcycles	93.0	52.7
Linhai	Manufacturing and sale of motorcycle, motorcycle engine, small benzene engine, forestry equipment and fire extinquishing equipment	49.9	45.7
Jianshe	Manufacturing and sale of motorcycle, air conditioner for automobile and automobile parts	64.5	84.0

Summary of Trading Multiples of Comparable Companies are shown in below table:

	Market Cap	EV	EV/EBITDA		P/E	
	(USD million)	(USD million)	2013	2014	2013	2014E
Loncin	1,103	861	7.5x	n.a.(4)	12.5x	10.8x
Lifan	1,079	1,869	13.0x(1)	n.a.(4)	15.7x	n.a.(7)
China Jialing	458	644	n.m.(2)	n.a.(4)	n.m.(5)	n.a.(7)
Qianjiang	391	400	n.m.(3)	n.a.(4)	n.m.(6)	n.a.(7)
Linhai	200	163	n.m.(2)	n.a.(4)	n.m.(6)	n.a.(7)
Jianshe	88	349	n.m.(3)	n.a.(4)	n.m.(6)	n.a.(7)
Mean			**10.8x**	**n.a.**	**14.1x**	**10.8x**
Median			**10.8x**	**n.a.**	**14.1x**	**10.8x**

Source:Bloomberg as of 28 May 2014

Notes: (1)*Lifan's 2013 EBITDA was adjusted to account for share of profit from equity investment*

(2)*China Jialing and Linhai had negative EBITDA in 2013*

(3)*Qianjiang and Jianshe had lower performance than usual, thus 2013 EBITDA could not reflect normal business operation of the companies*

(4)*No forecast of 2014 EBITDA for all companies*

(5)*China Jialing had net loss in 2013*

(6)*Qianjiang, Linhai and Jianshe had lower performance than usual, thus 2013 earnings could not reflect normal business operation of the companies*

(7) *No forecast of 2014 earnings for all companies aside from Loncin*

The information on the comparable companies in China's motorcycle industry is insufficient to perform accurate valuation. The industry is undergoing a transformation and now comprises a group of companies with significant differences in business operations and strategic focus. Moreover, many companies had operating loss or unsually low earnings, which makes comparison inappropriate. Therefore, the IFA views that the Trading Comparable Approach cannot be meaningfully utilized to determine Luoyang's value.

5.2.6 Precedent Transaction Comparable Approach

The IFA categorizes the precedent transaction comparable into 2 groups, one for transactions whose target is based in China and another one for whose target is based in Asia Pacific (excluding Japan, Australia and New Zealand)

Announcement Date	Target	Buyer	% Acquired	Transaction Size (USD million)	Implied EV/EBITDA	Implied P/E
China						
17 Oct 11	Nanjing Jincheng Machinery Co., Ltd.	Jincheng Corporation	47.7	19	n.a.(1)	n.a.(1)
30 Dec 10	Wuyang-Honda Motors (Guangzhou) Co., Ltd.	Guangzhou Automobile Group Co., Ltd.	50.0	72	n.a.(1)	5.9x
2 Sep 10	Hunan Tyen Machinery Co., Ltd.	China Changan Automobile Group Company Limited	31.4	n.a.	n.a.(1)	n.a.(1)
12 Jun 10	Loncin Motor Co., Ltd.	China Development Bank Capital Co., Ltd; Shanghai Xiaocun Venture Capital Partnership Enterprise L.P.; Shanghai Jinye Equity Investment Partnership Enterprise L.P.; Shanghai Jingxu Investment Center L.P.	43.4	26	n.a.(1)	n.a(1).
29 Mar 10	Loncin Motor Co., Ltd.	n.a.	20.0	201	n.a.(1)	n.a.(1)
23 Jun 08	Zhejiang Meikeda Motorcycle Co., Ltd.	Zhejiang Qianjiang Motorcycle Co., Ltd.	25.0	6	n.a.(1)	n.a.(1)
Asia Pacific (excluding Japan, Australia and New Zealand)						
28 Feb 14	KR Motors Co., Ltd.	Kolao Holdings	16.1	15	n.m.(2)	n.m.(2)
24 Feb 14	Mahindra Two Wheelers Limited	Samena Capital	20.0	29	n.a.(1)	n.m.(2)
23 Jan 14	KR Motors Co., Ltd.	n.a.	32.1	30	n.m.(2)	n.m.(2)
12 Apr 13	Atlas Honda Ltd.	Shirazi (Pvt.) Limited	3.4	n.a.	n.a.(1)	n.a.(1)
9 Dec 11	Kinetic Motor Company Limited	Kinetic Engineering Limited	63.1	4	27.7x	58.0x
28 Jan 11	KR Motors Co., Ltd.	S&T Motiv Co., Ltd.	31.5	24	8.7x	73.5x
16 Dec 10	Hero MotoCorp Limited	Hero Investments Private Limited	26.0	844	5.7x	6.9x
16 Jul 10	Thai Suzuki Motor Co., Ltd.	Suzuki Motor Corporation	18.8	21	n.a.(1)	n.m.(2)
China						
Mean					**n.a.**	**5.9x**
Median					**n.a.**	**5.9x**
Asia Pacific (excluding Japan, Australia and New Zealand)						
Mean					**14.0x**	**46.1x**
Median					**8.7x**	**58.0x**

Source: *Capital IQ as of 28 May 2014*

Notes: (1) *No information available*

(2) *Negative multiples*

Since the information on precedent transactions is insufficient to perform valuation and each transaction has its own unique circumstance such as stake acquired, ability to obtain controlling stake and expected synergies, the IFA decides that precedent transaction comparable approach cannot be used to in the valuation of Luoyang for deriving value of the investment in Raid Thrive.

5.2.7 Book Value Approach

The book value approach value Rapid Thrive based on the value of Luoyang on its latest financial statement.

Summary of Valution of Entire Investment in Rapid Thrive based on Book Value Approach is As Follows:

Shareholder's equity of Luoyang as of 1 April 2014 (RMB million)	494.0
Shareholder's equity of Luoyang as of 1 April 2014[(1)] (USD million)	79.0
Value of 55.0% Stake owned by Ek Chor[(1)] (USD million)	**43.5**
Net Value of Ek Chor's Other Assets as of 30 April 2014[(1)] (USD million)	5.5
Value of Rapid Thrive[(1)] (USD million)	**49.0**

Notes: [(1)]Exchange rate of 6.25 RMB / USD (source: Bank of Thailand as of 20 May 2014)

The value of the entire investment in Rapid Thrive based on book value approach is USD 49.0 million or approximately THB 1,600.0 million (Exchange rate of THB 32.67 / USD as of 20 May 2014).

5.3 Summary of the Fairness of the Price of the Disposal of the Entire Investment in Rapid Thrive

No.	Valuation Approach	Value of the Entire Investment (USD million)	Value of the Entire Investment (THB million)	Premium (Discount) to the Consideration
1	DCF (Base case)	48.6 – 51.0	1,588.9 – 1,665.2	(2.9) – 1.8
2	DCF (Sensitivity analysis)	40.2 – 48.3	1,313.8 – 1,576.6	2.5 – 23.1
3	Book value approach	49.0	1,600.0	1.0

Notes: Exchange rate of THB 32.67 / USD (source: Bank of Thailand 20 May 2014)

The IFA has perfomed valuation of entire investment in Rapid Thrive using various valuation approaches and the IFA's Opinion is as follows:

Using DCF valuation method, the value of Rapid Thrive is between USD 40.2 – 51.0 million or approximately THB 1,313.8 – 1,665.2 million. The book value of Rapid Thrive based on the latest financial statement is USD 49.0 million or approximately THB 1,600.0 million.

The IFA has performed the analysis under certain conditions and limitations as stated in various section above. The IFA determines that the value of CPP's entire investment in Rapid Thrive is within the range of USD 40.2 – 51.0 millions or approximately THB 1,313.8 – 1,665.2 million; representing a 23.1% premium to a 2.9% discount to consideration of USD 49.5 million or approximately THB 1,617 million. The IFA is of the opinion that the offer price of USD 49.5 million or approximately THB 1,617 million is appropriate. (Exchange rate of THB 32.67 / USD as of 20 May 2014)

6. The Opinion of the Independent Financial Advisor

6.1 The Opinion of the Independent Financial Advisor on the Acquisition of the Entire Investment in Kaifeng

The IFA has an Opinion that the Acquisition of the Entire Investment in Kaifeng is reasonable and consistent with the Company's strategy to focus on core agro-industrial and food business to strengthen its business operation in China as well as leverage the Company's experience in this business. In addition, the consideration of RMB 311 million or approximately THB 1,642 million(1) is lower than a fair value in the range of RMB 350 million to RMB 420 million or approximately THB 1,848 – 2,218(1) million for the Acquisition of the Entire Investment in Kaifeng. Based on information received from the Company and interview with the Company's and Kaifeng's managements up until 11 June 2014, the IFA has the Opinion that the Acquisition of the Entire Investment in Kaifeng is reasonable and that the Company's shareholders should approve the Acquisition of the Entire Investment in Kaifeng.

In order to approve the Acquisition of the Entire Investment in Kaifeng, the Company's shareholders should consider information that are part of the invitation to the extraordinary general meeting of shareholder, including all relevant details of the Opinion by the IFA particularly on the scope, methodologies, assumptions used in the projection, the sources of information which obtained from the Company and Kaifeng, management opinion that IFA obtained from management interview of the Company and Kaifeng and publicly available information, advantages and disadvantages of the Acquisition of the Entire Investment in Kaifeng and factors that could significantly impact the reasonableness of this Connected Transaction as follows:

- **Operational policy of the Company and CPP:** The Opinion is based on assumption that the Company and CPP have an objective to focus on feed business
- **Overall China feed industry outlook:** Feed industry outlook has a direct impact on Kaifeng's operating results. A change in consumer behavior, meat demand or an animal epidemic outbreak could adversely affect animal feed demand and finally affect Kaifeng's operation
- **Raw material availability in China**: Availability and price of raw material, which could be affected by drought or climate change, could directly affect Kaifeng's cost of production and/or ability to meet feed demand. As a result, Kaifeng could lose business opportunities.
- **Management:** China feed industry is highly competitive and the fact that Kaifeng could maintain a high gross profit margin in recent years is due to management's capability to focus on selling high gross profit margin and in high demand feed product. As a result, management's capability plays a crucial role to enhance Kaifeng's ability to adapt and compete in future environment and competition and to maintain margin.

However, financial statements including only animal feeds business section and quarterly financial statements are prepared by Kaifeng's management and have not been audited and/or reviewed by the auditor. It is China's accounting standard that quarterly financial statements will not be reviewed by the auditor. Nevertheless, the IFA interviewed and requested for supporting documents to analyze such financial statements. In case that the information that the IFA received has changed, it may affect the fair value and the Opinion of the IFA.

This Opinion is comprehensive only as a whole. The IFA shall not be held responsible from the disclosure, reference or dissemination of the Opinion in part unless approval is obtained from the IFA.

The IFA hereby certifies that our Opinion has been rendered with due care in accordance with professional standards, taking into account the interests of the shareholders.

Note: [(1)]Exchange rate of THB 5.28 / RMB (Source: Bank of Thailand as of 20 May 2014)

6.2 The Opinion of the Independent Financial Advisor on the Disposal of the Entire Investment in Rapid Thrive

Currently, motorcycle industry in China is in a transition period. Rules and regulations of the industry are subject to changes and uncertain. Many companies in the industry are currently making a loss and are changing their business model to survive in the changing environment and to improve their operating results. As a result, each company use different approaches to improve their operation and face difficulty in anticipating the success of each company.

The IFA has an Opinion that the Disposal of the Entire Investment in Rapid Thrive is reasonable because the Disposal of the Entire Investment in Rapid Thrive is consistent with the Company's policy of selling non-core business with high risk due to in the change of rules and regulations and extensive requirement of management resources including financial capital and management's time. Moreover, according to section 5.3 of this Opinion, the Disposal of the Entire Investment in Rapid Thrive which represents the disposal of entire investment to CPG has a fair valuation range. As a result, the Disposal of the Entire Investment in Rapid Thrive would reduce risks that the Company and CPP could encounter in the future from uncertainty of the industry and stringent Chinese regulations on air pollution control. In addition, the consideration of USD 49.5 million or approximately THB 1,617 million[(1)] is in the fair value range of USD 40.2 million to RMB 51.0 million or approximately THB 1,313.8 – 1,665.2[(1)] million for the Disposal of the Entire Investment in Rapid Thrive. Based on information received from the Company and interview with the Company's and Luoyang's managements up until 11 June 2014, the IFA has the Opinion that the Disposal of the Entire Investment in Rapid Thrive is reasonable and that the Company's shareholder should approve the Disposal of the Entire Investment in Rapid Thrive

In order to approve the Disposal of the Entire Investment in Rapid Thrive, the Company's shareholders should consider information that are part of the invitation to the extraordinary general meeting of shareholder , including all relevant details of the Opinion by the IFA particularly on the scope, methodologies, assumptions used in the projection, the sources of information which obtained from the Company and Luoyang, management opinion that IFA obtained from management interview of the Company and Luoyang and publicly available information, advantages and disadvantages in of the Disposal of the Entire Investment in Rapid Thrive and factors that could significantly impact the reasonableness of this Connected Transactions as follows:

- **Operational policy of the Company and CPP:** The Opinion is based on assumption that the Company and CPP have an objective to focus on core agro-industrial and food business and to sell non-core business
- **China motorcycle market outlook is subject to high uncertainty:** China's regulation on motorcycle usage is subject to high uncertainty; therefore, it directly affects the demand for motorcycle. The direction of China motorcycle regulation could either positively or negatively affect the industry in the future.
- **Management:** China motorcycle industry is very competitive and is in a transition period. Therefore, Luoyang has to adapt its strategy to respond with changes of Chinese regulations and demand of motorcycle in both China and export market. As a result, management is one of the main factor that would enable Luoyang to adapt its strategy to respond to future changes in business environment and competition.

However, Ek Chor's consolidated financial statements, Ek Chor's stand-alone quarterly financial statements and Luoyang's quarterly financial statements are prepared by management and have not been audited and/or reviewed by the auditor. It is Hong Kong's and China's accounting standard that quarterly financial statements will not be reviewed by the auditor. Nevertheless, the IFA interviewed and requested for supporting documents to analyze financial statements stated above. In case that the information that the IFA received has changed, it may affect the fair value and the Opinion of the IFA.

This Opinion is comprehensive only as a whole. The IFA shall not be held responsible from the disclosure, reference or dissemination of the Opinion in part unless approval is obtained from the IFA.

The IFA hereby certifies that our Opinion has been rendered with due care in accordance with professional standards, taking into account the interests of the shareholders.

Note: (1) Exchange rate of THB 32.67 / USD (Source: Bank of Thailand as of 20 May 2014)

Appendix 1

Ek Chor's Income Statement (Stand Alone Financial Statement)

	12 months periods ending on				3 months periods ending on		
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**HKD million**	**HKD million**	**HKD million**	**THB million[(1)]**	**HKD million**	**HKD million**	**THB million [(1)]**
Dividend income[(2)]	48.3	26.3	31.2	131.8			
Change in fair value of investment properties[(2)]	7.9	6.5	5.1	21.5			
Rental income[(2)]	0.8	0.7	0.7	3.2			
Other revenue[(2)]	9.3	5.4	4.5	19.0			
Total revenue	**66.3**	**38.9**	**41.5**	**175.5**	**1.3**	**30.2**	**127.5**
Administrative expenses	17.2	11.2	12.0	50.7	4.1	5.0	21.1
Profit before tax	49.0	27.7	29.5	124.8	(2.7)	25.2	106.5
Net income	**43.4**	**24.4**	**25.9**	**109.3**	**(2.7)**	**25.2**	**106.4**

Sources: Audited stand alone 2011 financial statements of Ek Chor by Ernst & Young, Hong Kong
Audited stand alone 2012 financial statements of Ek Chor by KPMG, Hong Kong
Draft of audited stand alone 2013 financial statements of Ek Chor to be audited by KPMG, Hong Kong
Internal quarterly financial statements in USD prepared by Ek Chor's management which have not been reviewed by the auditor

Notes: [(1)] Exchange rate of THB 4.23 / HKD (source: Bank of Thailand as of 20 May 2014)
[(2)] No breakdown of revenue as notes to quarterly financial statements are not available

Ek Chor's Balance Sheet (Stand Alone Financial Statement)

	As of						
	31 Dec 2011	31 Dec 2012	31 Dec 2013		31 Mar 2013	31 Mar 2014	
Unit	**HKD million**	**HKD million**	**HKD million**	**THB million(1)**	**HKD million**	**HKD million**	**THB million (1)**
Cash and cash equivalent	15.0	33.8	0.7	2.8	32.9	55.0	232.2
Dividend receivables	0.0	0.0	0.0	0.0	0.0	28.5	120.3
Other current assets	145.4	0.8	11.2	47.4	1.4	3.9	16.4
Total current assets	**160.4**	**34.5**	**11.9**	**50.2**	**34.3**	**87.3**	**368.9**
Investment Properties	52.5	58.9	64.0	270.5	58.9	64.0	270.5
Investment in a joint venture	241.6	241.6	241.6	1,020.7	241.6	241.6	1,020.7
Non-current assets	2.1	2.1	1.7	7.3	2.1	1.7	7.3
Total non-current assets	**296.1**	**302.6**	**307.3**	**1,298.5**	**302.6**	**307.3**	**1,298.5**
Total assests	**456.5**	**337.1**	**319.2**	**1,348.7**	**336.9**	**394.6**	**1,667.3**
Due to CPP Group companies	309.5	184.7	120.0	507.1	167.0	167.4	707.2
Other current liabilities	23.3	3.6	24.1	102.0	23.8	27.0	114.2
Total current liabilities	**332.7**	**188.3**	**144.2**	**609.2**	**190.8**	**194.4**	**821.4**
Total non-current liabilities	**2.3**	**2.9**	**3.4**	**14.5**	**2.9**	**3.4**	**14.5**
Total liabilities	**335.0**	**191.2**	**147.6**	**623.7**	**193.7**	**197.9**	**836.0**
Issued capital	28.3	28.3	28.3	119.6	28.3	28.3	119.6
Reserves	93.2	117.6	143.3	605.4	114.8	168.5	711.8
Total equity	**121.5**	**145.9**	**171.6**	**724.9**	**143.1**	**196.8**	**831.4**
Total liabilities and equity	**456.5**	**337.1**	**319.2**	**1,348.7**	**336.9**	**394.6**	**1,667.3**

Sources: Audited stand alone 2011 financial statements of Ek Chor by Ernst & Young, Hong Kong
Audited stand alone 2012 financial statements of Ek Chor by KPMG, Hong Kong
Draft of audited stand alone 2013 financial statements of Ek Chor to be audited by KPMG, Hong Kong
Internal quarterly financial statements in USD prepared by Ek Chor's management which have not been reviewed by the auditor

Notes: (1) Exchange rate of THB 4.23 / HKD (source: Bank of Thailand as of 20 May 2014)