

CBG 023/2017

25 April 2017

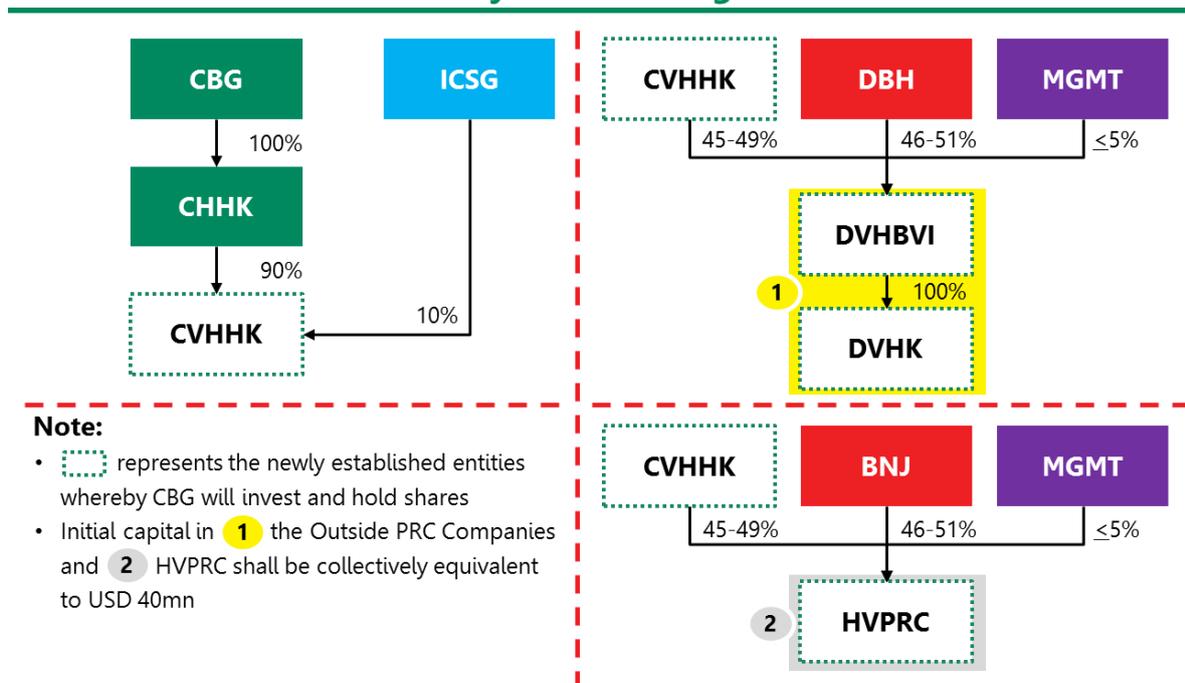
Subject: Notification of the resolutions of the Board of Directors’ meeting to withdraw from the Greater China Investment Project **(Amended)**

To: The President
The Stock Exchange of Thailand

Reference: Letter No. CBD 012/2560 regarding the notification of the resolutions of the Board of Directors’ meeting and the disclosure of information memorandum respective to the asset acquisition of Carabao Group Public Company Limited and subsidiaries concerning the Greater China Investment Project

Reference is made to Carabao Group Public Company Limited (the “**Company**” or “**CBG**”) making notification of the resolutions of the Board of Directors’ meeting No. 2/2560 held on 22 February 2017 to consider and approve the establishment of an overseas subsidiary, namely Carabao Venture Holdings (Hong Kong) Limited (“**CVHHK**”), and in this connection approve CVHHK to enter into joint venture agreements together with an unrelated group of Chinese business partner, namely Dai Beverage Holdings Limited (“**DBH**”) and Beijing Nongfeng Jirui Network Technology Company Limited (“**BNJ**”) (collectively referred to as the “**DAI Group**”) for the objectives of conducting business operations in the area of marketing, sales and distributions of energy drinks and other drinks under Carabao trademark and/or other trademarks to be developed or acquired by joint venture companies in the Greater China region including Hong Kong, Macau, Taiwan and the People’s Republic of China (the “**PRC**”) under the project value equivalent to the amount of not exceeding USD 40.00 million or approximately THB 1,401.80 million in the initial phase (the “**Greater China Investment Project**”). Preliminary shareholding structure of the project is set out as follows:

Preliminary shareholding structure



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Due to the salience of facts that there are recent changes made in several aspects to the Greater China Investment Project's financial projection so as to factor in the present situation, continuing with the project may have potential tendency to cause negative impacts to financial performance of the Company and subsidiaries as a whole consolidation significantly, the Board of Directors has therefore reviewed the Greater China Investment Project on its own merits and passed the resolutions respectively for the best interest of the Company and its shareholders as follows:

The resolutions of the Board of Directors' meeting No. 4/2560 held on 25 April 2017 respective to the Greater China Investment Project, wherein the Directors who may have conflict of interest did not attend and cast a vote in the meeting i.e. Mr. Sathien Setthasit, Miss Nutchamai Thanombooncharoen, Mr. Yuenyong Opakul and Mr. Romtham Setthasit

1. Approve to **withdraw from** the Greater China Investment Project, which in turn serves as the basis for the Company and subsidiaries to involve the transactions as follows:
 - 1.1. Carabao Holdings (Hong Kong) Limited (“CHHK”), a wholly owned subsidiary of the Company, shall no longer pursue the process of capital increase deemed relevant to the project;
 - 1.2. CVHHK, a subsidiary company in which CHHK and Intercarabao Private Limited (“ICSG”) are intended to invest and hold 90% and 10% of its registered capital, respectively, withdraws from the act of entering into the joint venture agreement together with the DAI Group. In doing so, CVHHK shall call off the process of capital increase and become a dormant company;
2. Following (1) the decision made by the Company and subsidiaries to withdraw from the Greater China Investment Project, coupled with (2) the proposal made by Mr. Sathien Setthasit, a major shareholder of the Company, and related person(s) (the “**Major Shareholder Group**”) and/or other investor(s) and related person(s) (the “**Other Investors**”) (collectively referred to as the “**New Investor Group**”) to establish a new company for the objective of investing and holding shares, both directly and indirectly, in the project (“**HOLDING SPV**”) together with ICSG's major shareholders and the DAI Group. Note that the Major Shareholder Group will hold shares representing no lower than half the HOLDING SPV's registered capital.

The Board of Directors has considered to the benefits of the Company and subsidiaries without risks of substantial loss arising from equity investments in the project's initial years and resolved to approve the transactions as follows:

- 2.1. In order for the Company and subsidiaries to benefit from manufacturing and selling energy drinks under Carabao trademark to the joint venture companies such that the products can be marketed and distributed in the Greater China region in recognition of orders and business opportunities in the future, the Board of Directors has resolved to approve Carabao Tawandang Company Limited (“**CBD**”), a wholly owned subsidiary of the Company, to enter into the relevant agreements with the joint venture companies should they have been duly incorporated in relation to the project by the **HOLDING SPV**, ICSG's **major shareholders** and the DAI Group (the “**JV Group**”). Such agreements shall define their exclusive rights as the distributor of energy drinks under Carabao trademark and the licensed party to use the relevant trademarks to an advantage of their business operations (the “**In-scope Agreements**”)

The JV Group, once upon the incorporations under their respective jurisdictions, shall be considered a connected person of the Company pursuant to the Notification of the Capital Market Supervisory Board No. ThorJor. 21/2551 Re: Rules on Entering into Connected Transactions, dated 31 August 2008 (and its further amendments made thereto) and the Notification of Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transaction, dated 19 November 2003 (and its further amendments made thereto) (the “**Notifications on**

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Connected Transactions”). The Board of Directors has considered in details and resolved to approve the relevant transactions in principle on the basis that such transactions to be carried out are normal business transactions that cause no misappropriation of the benefits, representing the price and condition to which an operator of similar businesses offers to one another in general (Arm’s length basis). In addition, there are no conditions that unfairly require either human resources or any other support from the Companies and subsidiaries.

The Board of Directors has resolved to approve the delegation of authority to the Executive Committee and/or the person(s) designated by the Executive Committee to perform any acts in relation to the In-scope Agreements, including but not limited to contacting, negotiating and determining details and conditions as well as signing and amending all the relevant agreements and taking any actions necessary to effect the transactions successfully for best interest of the Company;

2.2. In order to prevent the Company from risks of substantial loss from equity investments in the project’s initial years and at the same time benefit the Company in terms of the preserved right to consider investing in the future for best interest of the Company and its shareholders, the Board of Directors has resolved to approve the Company to contract for the right to purchase shares held in the HOLDING SPV (the “**Right-to-purchase Agreement**”) with the New Investor Group. Under the conditions set forth in the agreement, the New Investor Group agrees to provide the Company with the right to purchase all shares the New Investor Group will be entitled to and holding, both directly and indirectly, in the HOLDING SPV. The Right-to-purchase Agreement to be entered into between the Company and the New Investor Group shall have the conditions preliminarily set out as follows:

Counterparts	1) the Company (the “ Right-beneficiary Party ”) 2) the New Investor Group (the “ Right-granting Party ”)
Transactions under the agreement	The Right-granting Party shall agree to provide the Right-beneficiary Party with the right to consider purchasing from the Right-granting Party all the shares held, both directly and indirectly, in the HOLDING SPV (the “ Subject Shares ”) based on terms and conditions of share acquisition as agreed between the parties

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<p>Conditions to purchase the Subject Shares</p>	<p>The Right-beneficiary Party shall preserve the right to purchase the Subject Shares in the two scenarios set out below:</p> <p>1) Scenario 1</p> <p>The Right-beneficiary Party is eligible to exercise the right to purchase the Subject Shares anytime should the financial performance and position of the JV Group are considered appropriate from the standpoint of the Right-beneficiary Party, wherein the Company may bring into attentions several factors including but not limited to the achievement of actual performance versus budget respective to each fiscal year, the magnitude of growth rate in sales volume and EBITDA as well as the deployment of effective business plan and stage of competitions by then and in the foreseeable future. In this case, the Right-beneficiary Party shall serve a written notice to the Right-granting Party, asking to commence the share acquisition process based on terms and conditions as agreed between the parties.</p> <p>or</p> <p>2) Scenario 2</p> <p>If the Right-granting Party receives from a third party an offer to purchase or the Right-granting Party expresses an intention to sell, the Right-beneficiary Party shall be given the right of first refusal in respect of the Subject Shares from the Right-granting Party. Provided that there is a situation that causes or may cause the trigger of such right to purchase, the Right-granting Party shall serve a written notice to the Right-beneficiary Party, asking to commence the share acquisition process based on terms and conditions as agreed between the parties.</p> <p>Upon trigger of the right to purchase the Subject Shares, the Parties agree to use best efforts to negotiate and procure the share acquisition process generally accepted in practice, including but not limited to due diligence exercise, appointed independent appraiser, who is in the authorized list of the Securities and Exchange Commission (the “Independent Advisor”) for the objective of fair value evaluation as well as any acts deemed necessary to effect the share acquisition successfully.</p>
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Consideration and term of payments	Acquisition price for the Subject Shares in each scenario is set out below: 1) Scenario 1 The acquisition price shall be on the basis of fair value determined by the Independent Advisor to be mutually appointed by the Party. or 2) Scenario 2 The acquisition price shall be the same as that offered to purchase by a third party but not higher than the fair value determined by the Independent Advisor to be mutually appointed by the Party. Settlement shall be made in full amount by cash payments on the date of which the Right-granting Party has transferred the Subject Shares to the Right-beneficiary Party or its designated person(s).
Governing laws	Laws of the Kingdom of Thailand

The Board of Directors has resolved to approve the delegation of authority to the Executive Committee and/or the person(s) designated by the Executive Committee to perform any acts in relation to the In-scope Agreements, including but not limited to contacting, negotiating and determining details and conditions as well as signing and amending all the relevant agreements and taking any actions necessary to effect the transactions successfully for best interest of the Company.

Since the **New Investor** Group is considered a connected person of the Company pursuant to the Notifications on Connected Transactions, the approvals of the above matters are therefore conditional upon the Company and subsidiaries performing any acts in compliance with applicable laws and regulations, including those made in force by the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand.

Connected transactions, **asset acquisitions and dispositions and any transactions that involve the Company with the HOLDING SPV and the JV Group in the future shall be entered into as a result of normal business transactions without any misappropriation of benefits between the Company, the HOLDING SPV and the JV Group.** The Company shall adhere to applicable laws in respect of securities and stock exchange, the regulations and notifications made in force by the Capital Market Supervisory Board, the Board of Governors of the Stock Exchange of Thailand or any other governing bodies. The Company shall take into account the reasonableness, appropriateness and practicality of benchmarking against any reference market prices such that interest of all the shareholders and stakeholders of the Company will be treated fairly with care in accordance with the Company's good corporate governance policies.

Rationale for the withdrawal from the Greater China Investment Project

After the Board of Directors' meeting No. 4/2560 held on 25 April 2017 respective to the Greater China Investment Project, management of the Company and subsidiaries has been arranging from time to time the business-related discussions among all the concerned parties including the DAI Group, a group of Chinese professional management that has been experienced in management, marketing, sales and distributions for the market leading brand of energy drinks in the People's

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Republic of China over the past 20 years (the “**Existing Market Leader**”) as well as distributors, media agencies and other business partners based in the People’s Republic of China. These meetings are aimed to collect market and related information as key input to preparing business plan for the project.

Several discussions as mentioned above, especially those held with and the information obtained from the group of Chinese professional management who worked for the Existing Market Leader and has expressed intention to join forces as the management team of the Greater China Investment Project (the “**Ex-management of Existing Market Leader**”), made the Company known to market intelligence in the present situations and consequently realize that the energy drink market and related businesses in the People’s Republic of China are substantially on the verge of structural change in competitive setting. The intel received to date suggests in particular that the Existing Market Leader is currently dealing with a considerable amount of challenges that may have impacts on its long-standing competitiveness. Window of business opportunities to tap in is widely open and serves as a strong motivation to all other energy drink companies to use it to an advantage of their rollout of more aggressive marketing policies for expanding customer base and share of the market. Furthermore, the Company also had positive feedback from its participation in the Chengdu’s trade fair in Mar 2017. The Company as such comes to a conclusion that the opportunity is indeed more essential than what the Company estimated at the time of the Board of Directors’ meeting No. 2/2560 held on 22 February 2017 (the “**Original Plan**”).

Thus, the Company and subsidiaries have decided to revisit the Original Plan so as to reflect the present situations. In order words, the policies should change from focused marketing in certain provinces to critical mass marketing for the benefits of excessive access to market and building brand awareness of energy drinks under Carabao trademark among target consumers over the country (the “**New Plan**”).

After the Company, the DAI Group and the Ex-management of Existing Market Leader were gathered to work on and finalize business plan and financial projection under the New Plan during mid of April 2017, the Company found out that the New Plan could help not only increase sales of energy drinks under Carabao trademark in the People’s Republic of China but also generate appropriate rate of return on sales in the long run. However, objectives of the New Plan to expand target customer base and continuously drive sales in the People’s Republic of China shall be accomplished at a larger amount of marketing expenses relative to the Original Plan. The project under the New Plan is preliminarily expected to accumulate substantial loss of approximately USD 400 million or approximately THB 14,018 million during the first 4-5 years of operations. In case that the Company and subsidiaries invested in the project, there would be risks of substantial loss from equity investment in proportion to shareholding percentage i.e. effectively not greater than 49% of equity interest. Such a large amount of loss could significantly impact financial performance of the Company and subsidiaries as a whole consolidation despite revenue from sales derived from any other scopes of businesses.

Consideration of alternative approaches to the Greater China Investment Project

The Board of Directors has considered the Greater China Investment Project with reference made to the business plan and financial projection of the New Plan into two alternative approaches as follows:

Approach 1 Underlying assumptions:

- (1) The Company and subsidiaries **continue** with the project; and
- (2) All the parties including the Company and subsidiaries agree to proceed according to the New Plan.

In this case, the Company and subsidiaries are likely to accumulate substantial loss from equity investments in the Greater China Investment Project during the first 4-5 years of operations, which in turn may have potential tendency to cause negative

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impacts to financial performance of the Company and subsidiaries as a whole consolidation significantly.

Approach 2 Underlying assumptions:

- (1) The Company and subsidiaries **withdraw** from the project;
- (2) All the parties including the **New Investor** Group agree to proceed according to the New Plan; and
- (3) For best interest of the Company and its shareholders, the Company and subsidiaries shall have eligibility for the benefits as follows:

(A) In order for the Company and subsidiaries to benefit from the project once the JV Group has been duly incorporated, CBD will enter into the In-scope Agreements with the JV Group, defining their exclusive rights as the distributor of energy drinks under Carabao trademark and the licensed party to use the relevant trademarks to an advantage of their business operations; and

(B) In order for the Company and subsidiaries to preserve the right to consider investing in the future for best interest of the Company and its shareholders with no risks of substantial loss from equity investments in the project's initial years, the Company will enter into the Right-to-purchase Agreement with the New Investor Group. Under the conditions set forth in the agreement, the New Investor Group agrees to provide the Company with the right to purchase all shares the New Investor Group will be entitled to and holding, both directly and indirectly, in the HOLDING SPV.

Taking into consideration the alternative approaches to the project with emphasis placed on best interest of the Company and its shareholders, the Board of Directors has resolved to approve the Approach 2, wherein the Company and subsidiaries shall withdraw from the Greater China Investment Project yet still benefit from the project through manufacturing and selling products to the JV Group and the right preserved to consider investing the Greater China Investment Project with no risk of substantial loss from equity investment during the initial years. In passing the resolution relating thereto by the Board of Director, **Directors who may have conflict of interest did not attend and cast a vote in the meeting i.e. Mr. Sathien Setthasit, Miss Nutchamai Thanombooncharoen, Mr. Yuenyong Opakul and Mr. Romtham Setthasit.**

Opinion of the Audit Committee

The Audit Committee's meeting No. 2/2560 has considered the Approach 2, coupled with the additional information obtained from the management, and opined that the Approach 2 is appropriate for best interest of the Company and its shareholders. In addition, entering into the In-scope Agreement shall be treated as normal business transactions that cause no misappropriation of the benefits, representing the price and condition to which an operator of similar businesses offers in general (Arm's length basis). In addition, there are no conditions that unfairly require either human resources or financial support from the Companies and subsidiaries.

Sincerely yours,

Mr. Waranchai Jensiriwanich

Legal Director / Company Secretary

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