Management's Discussion and Analysis

Highlights of the Consolidated Financial Statements and Key Financial Ratios

Consolidated balance sheet of CPF and its subsidiaries as of 31 December 2006 - 2008

	As of 31 December					
	2006		2007		2008	
	THB million	%	THB million	%	THB million	%
Cash and cash equivalents	1,727	2	3,080	3	3,453	3
Accounts receivable-trade and others	12,825	13	13,560	13	14,115	13
Current portion of long-term receivable from related company for sale of investment	167	-	260	-	269	-
Inventories	26,498	28	27,112	27	27,888	26
Other current assets	1,141	1	1,259	1	1,535	2
Total current assets	42,358	44	45,271	44	47,260	44
Total non-current assets	53,377	56	57,275	56	60,250	56
TOTAL ASSETS	**95,735**	**100**	**102,546**	**100**	**107,510**	**100**
Current liabilities	36,550	38	37,937	37	39,909	37
Non-current liabilities	16,505	17	20,394	20	22,050	21
TOTAL LIABILITIES	**53,055**	**55**	**58,331**	**57**	**61,959**	**58**
SHAREHOLDERS' EQUITY	**42,680**	**45**	**44,215**	**43**	**45,551**	**42**

Consolidated income statement of CPF and its subsidiaries for the years ended 31 December 2006 –2008

	2006		2007		2008	
	THB million	%	THB million	%	THB million	%
Revenue from sale of goods	124,931	98	134,809	98	156,238	98
Share of profits from investments in associates						
accounted for using the equity method	763	1	959	1	1,176	1
Other income	1,841	1	1,893	1	1,257	1
TOTAL REVENUES	**127,535**	**100**	**137,661**	**100**	**158,671**	**100**
Cost of sale of goods	108,158	85	117,936	86	135,738	85
Selling and administrative expenses	14,472	11	15,852	11	16,983	11
Share of losses from investments in associates						
accounted for using the equity method	37	-	11	-	14	-
Others	38	-	38	-	36	-
TOTAL EXPENSES	**122,705**	**96**	**133,837**	**97**	**152,771**	**96**
Profit before interest expense and income tax expense	4,830	4	3,824	3	5,900	4
Interest expense	1,953	2	2,347	2	2,458	2
Income tax expense	329	-	49	-	218	-
Profit after income tax expense	2,548	2	1,428	1	3,224	2
Add net profit of minority interest	(38)	-	(153)	-	(96)	-
Profit for normal activities	2,510	2	1,275	1	3,128	2
NET PROFIT	**2,510**	**2**	**1,275**	**1**	**3,128**	**2**

Consolidated statements of cash flows for the years ended 31 December 2006 – 2008

	2006	2007	2008
Net cash provided by operating activities	3,782	5,801	6,424
Net cash used in investing activities	(7,848)	(5,767)	(4,816)
Net cash provided by (used in) financing activities	2,884	1,660	(1,252)
Net increase (decrease) in cash and cash equivalents	(1,182)	1,694	356
Cash and cash equivalents at the beginning of the year	2,457	1,167	2,906
Effect of exchange rate changes on the balances			
held in foreign currencies	(108)	45	128
Cash and cash equivalents at end of the year	**1,167**	**2,906**	**3,390**

Key financial ratios of the consolidated financial statements of CPF and its subsidiaries

	2006	2007	2008
Liquidity ratios			
Current ratio[1] (times)	1.16	1.19	1.18
Quick ratio[2] (times)	0.40	0.44	0.44
Cash flow liquidity ratio[3] (times)	0.11	0.16	0.17
Accounts receivable turnover[4] (times)	9.75	9.97	11.01
Collection period[5] (Days)	37	36	33
Inventory turnover ratio[6] (times)	14.19	18.54	24.42
Inventory turnover[7] (Days)	25	19	15
Accounts payable turnover[8] (times)	16.57	15.88	17.43
Payable period[9] (Days)	22	23	21
Cash Cycle[10] (Days)	40	32	27
Profitability ratios			
Gross profit margin[11] (%)	13.43	12.52	13.12
Operating profit margin[12] (%)	3.87	2.84	3.78
Net profit margin[13] (%)	1.97	0.93	1.97
Return on Equity[14] (%)	5.81	2.93	6.97
Operating efficiency ratios			
Return on fixed assets[15] (%)	16.08	13.03	17.16
Asset turnover (times)[16]	1.38	1.39	1.51

[1] Current ratio = Total current assets / Total current liabilities
[2] Quick ratio = (Cash and cash equivalent + Short term investment + Accounts receivable, Trade and others) / Total current liabilities
[3] Cash flow liquidity ratio = Net cash provided by operating activities / Average current liabilities
[4] Accounts receivable turnover = Net sales / Average accounts receivable, trade and others
[5] Collection period = 360 / Accounts receivable turnover
[6] Inventory turnover ratio = Cost of sale of goods / Average finished goods
[7] Inventory turnover = 360 / Inventory turnover ratio
[8] Accounts payable turnover = Cost of sale of goods / Average accounts payable
[9] Payable period = 360 / Accounts payable turnover
[10] Cash Cycle = Average collection period + Inventory turnover - Payable period
[11] Gross profit margin = Gross profit / Net sales
[12] Operating profit margin = Profit before interest expense and income tax expense / Net sales
[13] Net profit margin = Net profit / Total revenues
[14] Return on Equity = Net profit / Average shareholders' equity
[15] Return on fixed assets = (Net profit + Depreciation) / Average fixed assets
[16] Asset turnover = Total revenues / Average total assets

	2006	2007	2008
Leverage ratios			
Debt to equity[17] (times)	1.24	1.32	1.36
Interest coverage[18]	1.94	2.47	2.61
Commitment coverage[19]	0.23	0.44	0.50
Dividend payout[20] (%)	56.92	50.13	44.02

This management's discussions and analysis is based on the consolidated financial statements of CPF and its subsidiaries for the year ended December 31, 2008. It includes financial statements of CPF and 75 subsidiaries, comprise of 27 companies that were set up in Thailand and 48 companies that were set up overseas.

2008 Operating Results

(1) The overview of the operating results

The Company had net sales of THB 156,238 million in 2008, increasing 16% year-on-year, resulted from the 17% increase of Thailand operations and 11% increase of overseas operations. Sales from the livestock business in Thailand increased by 24%, while sales from the aquaculture business in Thailand rose 1%. The increase of the overseas operations' sales was from 10% increase in the livestock business and 13% increase in aquaculture business.

The Company's operating profit in 2008 was THB 3,128 million, increasing 145% compared to the previous year. It was from the net loss incurred in the first quarter of 2007 amounting to THB 1,135 million due to the price of the meat products in domestic market lowering than the usual situation. However, the situation has gradually improved since the second quarter of 2007 till the year 2008.

[17] Debt to equity = Total liabilities / Total shareholders' equity

[18] Interest coverage = Net cash provided by operating activities / Interest expenses

[19] Commitment coverage = Net cash provided by operating activities / (Debt payment + Investment expenses + Purchase of assets + Dividend paid)

[20] Dividend payout = Dividend paid / Net profit

(2) Operating results of each business line

Sale structure of CPF and its subsidiaries for the years ended 31 December 2006-2008

	2006		2007		2008		Change from the last year
	THB million	%	THB million	%	THB million	%	
1. Thailand operations	**109,551**	**88%**	**112,905**	**84%**	**131,980**	**85%**	**17%**
1.1 Livestock business	**78,272**	**63%**	**79,176**	**59%**	**98,012**	**63%**	**24%**
- Animal feed	22,897	18%	23,169	17%	29,258	19%	26%
- Breeder	2,649	2%	2,350	2%	2,645	2%	13%
- Meat and Food - Domestic	36,407	29%	36,773	27%	46,412	30%	26%
- Meat and Food - Export	13,310	11%	14,653	11%	16,647	10%	14%
- Others	3,009	3%	2,231	2%	3,050	2%	37%
1.2 Aquaculture business	**31,279**	**25%**	**33,729**	**25%**	**33,968**	**22%**	**1%**
- Animal feed	15,800	13%	15,333	11%	16,257	10%	6%
- Breeder	1,686	1%	1,530	1%	1,605	1%	5%
- Meat and Food - Domestic	3,659	3%	6,573	5%	6,596	4%	-
- Meat and Food - Export	9,388	7%	9,019	7%	8,835	6%	-2%
- Others	746	1%	1,274	1%	675	1%	-47%
2. Overseas operations	**15,380**	**12%**	**21,904**	**16%**	**24,258**	**15%**	**11%**
2.1 Livestock business	**9,993**	**8%**	**14,622**	**11%**	**16,045**	**10%**	**10%**
2.2 Aquaculture business	**5,387**	**4%**	**7,282**	**5%**	**8,213**	**5%**	**13%**
TOTAL SALES	**124,931**	**100%**	**134,809**	**100%**	**156,238**	**100%**	**16%**

Operating results of each business line and business location

(1) Livestock business in Thailand

Sales from the livestock business in Thailand was THB 98,012 million in 2008, or 63% of the Company's total net sales, increasing 24% year-on-year. The proportion of domestic sales to export sales was 83:17.

In 2008, the gross profit margin of the livestock business in Thailand was 14%, increasing from the previous year's gross profit margin of 11%, as a result of the price of the meat products in domestic market in the first quarter of 2007 lowering than the usual situation. However, the situation has gradually improved since the second quarter of 2007 till now.

(2) Aquaculture business in Thailand

Sales from the aquaculture business in Thailand amounted to THB 33,968 million in 2008, rising 1% from THB 33,729 million of the previous year. This was from the growth in price of aquatic feed.

In 2008, the gross profit margin of the aquaculture business in Thailand was 16%, increasing from the previous year's gross profit margin of 13%.

(3) Overseas operations

Sales from overseas operations totaled THB 24,258 million in 2008, increasing 11% year-on-year. This arising was from the sales increase in livestock business in Turkey and India and in aquaculture business in US, Malaysia and China.

In 2008, the gross profit margin of overseas livestock business and aquaculture business was 4% and 12%, respectively.

Dividend payment

In accordance with CPF's dividend policy, the sum of dividend payments from each year operating results will be approximately 50% of net profit after tax and appropriations to legal reserve (based on the separate financial statements of the Company). The Company had paid THB 0.08 per share or total of THB 602 million as an interim dividend for the year 2008. In addition, the Company's Board of Directors had a resolution on February 25, 2009 to pay an annual dividend at the rate of THB 0.11 per share or THB 775 million (excluding the repurchased shares which do not have rights to receive dividend). Such dividend was derived from the profits which were exempted from corporate income tax. This annual dividend when combined with the interim dividend paid during the year 2008 will totally be THB 1,377 million or equivalent to 58% of net profit of the separate financial statements of the Company. The Board of Directors shall propose the annual dividend payment to the Annual General Shareholders' Meeting No. 1/2009 which will be held on April 22, 2009 for further approval.

Financial position

(1) Assets

As of December 31, 2008, the Company's total assets amounted to THB 107,510 million, comprising of THB 47,260 million in current assets, THB 44,706 million in property, plant and equipment, and THB 15,544 million in long-term investments and others.

Assets as of December 31, 2008 increased by 5% from the year earlier mainly due to an increase in long term investment derived from the gain recognizing in investments in associates.

(2) Liquidity

In 2008, the Company had net cash from operating activities and financing activities of THB 6,424 million and THB 1,252 million, respectively. The sources of cash was generated from debentures issuance of CPF118A and CPF138A worth a total of THB 6,000 million and loans from other financial institutions of THB 2,280 million. The uses of cash comprised of payments made on debentures, notes payable, loans, interest expenses and others amounting to THB 9,532 million. The Company is obliged to make payments on long term loans and debentures in the amounts of THB 5,463 million in 2009, THB 5,765 million in 2010, and THB 12,594 million in 2011-2013. The Company had net cash used in investment activities of THB 4,816 million. The cash and cash equivalent as of December 31, 2008 was amounted to THB 3,390 million.

The Company's current ratio of the consolidated financial statements at December 31, 2008 was 1.18 times, which slightly decreased from 1.19 times at the end of previous year. As of December 31, 2008, cash cycle was at 27 days, decreased from 32 days at the end of 2007. It was resulted from the decrease of the Company's average inventory turnover which declined from 19 days to 15 days.

As of December 31, 2008, the Company's outstanding debentures totaled THB 22,500 million as follows:

1) A debenture issue worth THB 3,500 million was issued on November 17, 2004. It has a maturity of 5 years and a fixed interest rate of 5.50% per year.

2) A debenture issue worth THB 2,000 million was issued on June 16, 2005, It has a maturity of 5 years and a fixed interest rate of 5.00% per year.

3) A debenture issue worth THB 5,000 million was issued on July 5, 2006, divided into 2 series. The first series worth THB 1,200 million has a maturity of 3 years and fixed interest rate of 6.30% per year. The second series worth THB 3,800 million has a maturity of 5 years and a fixed interest rate of 6.90% per year.

4) A debenture issue worth THB 6,000 million was issued on October 19, 2007, divided into 2 series. The first series worth THB 3,500 million has a maturity of 3 years and fixed interest rate of 4.25% per year. The second series worth THB 2,500 million has a maturity of 5 years and a fixed interest rate of 4.90% per year.

5) A debenture issue worth THB 6,000 million was issued on August 15, 2008, divided into 2 series. The first series worth THB 3,000 million has a maturity of 3 years and fixed interest rate of 5.15% per year. The second series worth THB 3,000 million has a maturity of 5 years and a fixed interest rate of 5.70% per year.

(3) Source of funds

The debt to equity ratio as of December 31, 2008 was 1.36 times (lower than the indicated Net debt to equity ratio specified in the Term and Condition of bond issuer and representatives for the Bond No.1/2004, No.1/2005, No.1/2006, No.1/2007 and No.1/2008 that the Company committed to maintain this ratio not above 2.00 times). Total liabilities were THB 61,959 million comprised of THB 39,909 million in current liabilities and THB 22,050 million in long-term liabilities, or in the proportion of 64:36.

As of December 31, 2008, shareholders' equity was THB 45,551 million, increasing 3% year-on-year. Major changes in shareholders' equity in 2008 were mostly from the increase in gain on investments in associates and assets revaluation and retained earning from net profit in 2008.

(4) Investment in 2009

In 2009, the Company has a capital expenditure of THB 4,635 million approved by the Board of Directors. The investment budget is for maintenance. THB 2,986 million will be invested in the livestock business while THB 1,649 million will be invested in the aquaculture business. Investment plans may change according to changes in the business environment.

Significant changes of accounting policy in 2008

Since January 1, 2008, the Company has changed the accounting policy for recognizing of goodwill and negative goodwill arising from a business combination and investments in associates which recorded by equity method. This was complying with the Federation of Accounting Professions issued the new Thai Accounting Standard No. 43 (revised 2007) Re: Business Combination, which is effective for accounting periods beginning on or after January 1, 2008. Such accounting standard requires that the acquirer shall, at the acquisition date, recognize any difference between the cost of the business combination or the cost of investments in associates and the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as follows:

1. Business combination

1.1 The acquirer, at the acquisition date, recognizes the excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as a goodwill at cost on the asset side. After the initial recognition, the acquirer measures a goodwill at cost less accumulated impairment losses.

1.2 The acquirer, at the acquisition date, recognizes any discount of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities less than cost immediately in the statement of income.

2. Equity accounted investments in associates

2.1 The investor, at the acquisition date, recognizes the excess of investor's interest in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities as a goodwill included as part of the carrying amount of the investments in associates. The amortization of that notional goodwill shall not be included in the share of profits and losses from investments in associates.

2.2 Any discount included in the carrying amount of the investment of the entity's interest in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities less than the cost of investment shall be included in the determination of the entity's share of the investee's profits or losses for the period in which the investment is acquired.

In addition, the mentioned accounting standard determined the accounting treatment for immediate recognition of goodwill and negative goodwill acquired in a business combination or including as part of the carrying amount of investments in associates prior to January 1, 2008 as follows:

Goodwill: The acquirer must discontinue amortization of goodwill, eliminate the carrying amount of the related accumulated amortization and test the goodwill for impairment in accordance with TAS No.36 (revised 2007) Re:Impairment of Assets.

Negative goodwill: The acquirer, at the beginning of period, derecognizes the negative goodwill at book value and make an adjustment to the opening balance of retained earnings.

Equity accounted investments: The acquirer must discontinue the amortization of goodwill included in the carrying amount of that investment and derecognizes the negative goodwill included in the carrying amount of that investment and make an adjustment to the opening balance of retained earnings.

The book value of CPF's goodwill arising from a business combination and including as part of the carrying amount of investments in associates which discontinued the amortization, based on the consolidated financial statements as of January 1, 2008 amounted to THB 457 million and THB 802 million respectively. The negative goodwill from a business combination and including as part of the carrying amount of investments in associates with an adjustment to the opening balance of retained earnings was THB 825 million and THB 85 million respectively. In addition, the management has tested and recorded the impairment of goodwill of THB 28 million for the year ended December 31, 2008.

However, there is no effect of the changes of such accounting policy on the separate financial statements of the Company.