No. 61/2551 December 17, 2008

Re: The Opinion by an Independent Financial Advisor in Relation to a Connected Transaction for GFPT Public Company Limited

To: The Board of Directors and Shareholders
GFPT Public Company Limited

On Decemeber 15, 2008, the Board of Directors of GFPT Public Company Limited (the "Company" or "GFPT") no. 12/2551 resolved to approve the Company and/or its subsidiaries to borrow from directors and connected persons for a total amount of no more than Baht 2,000 million at the interest rate of no higher than 6.00% per annum with maturity of 5 years from February 1, 2009 to January 31, 2014. The mentioned total amount includes the amount for repayment of the existing short-term loan from the directors and connected persons which will be gradually due within 2009. The transaction resulted from the mentioned Board of Directors' resolution is a connected transaction in accordance with the Notification of Capital Market Supervisory Board Tor Jor 21/2551 concerning Regulations for a Connected Transaction. The calculation of the transaction value by considering the maximum interest to be paid to the directors and connected persons reveals that it exceeds Baht 20 million or more than 3% of the net tangible assets. A connected transaction of the mentioned transaction value requires a disclosure of transaction details to the Stock Exchange of Thailand (the "SET"), approval from the Company's Board of Directors, and resolution from a shareholders meeting for which vote in favor of at least three fourth of the attending shareholders who are eligible to vote. The Company's Board of Directors has resolved to arrange an extraordinary shareholders meeting no. 1/2009 on January 29, 2009 for consideration of this financial assistance.

The Company has appointed Sage Capital Limited (the 'Financial Advisor") to be an independent financial advisor to the shareholders for rendering an opinion concerning reasonableness and fairness of this transaction. The Financial Advisor has determined the mentioned transaction from the documents received from the Company and information in the public domain including the Company's Board of Directors' approval for the transaction, financial statement, annual registration statement (Form 56-1), draft loan agreement for the connected transaction being approved, information from interviews with the Company's management and staff, and other relevant documents.

The opinion is based on assumptions that all the information and assumptions received are reliable, complete and accurate, and do not change or amended after they were received by the Financial Advisor. The Financial Advisor also assumes that the economic condition and other external factors which may affect the Company's and its subsidiaries' operation, and the money market and capital market situation do not change materially from the time of rendering the opinion. Should the above factors change materially, the opinion may be changed.

Summary of Opinion of the Financial Advisor

The Company had continuously invested in non-current assets while it has burden for repayment of long-term loan from financial institutions which had been due every year. The Company did not have sufficient cash for operation and loan repayment. In 2005, the Company started borrowing from the directors and connected persons on short-term 1-year basis. As at September 30, 2008, the Company has an outstanding loan from the directors and connected persons worth Baht 1,150.10 million which will be gradually due within 2009. The Company wishes to change the loan from short-term to long-term which is more in line with the investment time horizon and reduces the risk of default.

In addition, the Company has a plan to invest with Nichirei to set up a joint venture company (GFN) to engage in production and distribution of processed chickens and frozen chickens to Japan and other countries. This joint venture will expand the market and increase the revenue from export especially to Japan.

The above mentioned adjustment in the Company's financial structure and investment require the Company to accept a financial assistance from the directors and connected persons for Baht 2,000 million at the interest rate of no higher than 6.00% per annum for no longer than 5 years. The objectives of this loan is as follows; 1) for the adjustment of the Company's financial structure to conform with the nature of the Company's and its subsidiaries' business operation, 2) for investment in GFN, and 3) for investment in both the Company and its subsidiaries for an increase in chicken production capacity to supply to GFN, 4) for working capital of the Company and its subsidiaries for their normal operation.

The advantages of accepting the financial assistance from the directors and connected persons for the objectives mentioned above are as follows;

- Increase the sales of chicken meat and processed chickens through Nichirei's distribution channels in Japan and other countries making it possible for the Company to expand and diversify its customers base.

- Adjust the Company's financial structure to conform with the nature of business operation and investment which is largely made in the non-current assets. The change from short-term loan to long-term loan will reduce the risk of default on the short-term loan.

However, the disadvantages of entering into the transaction are as follows;

- The Company's debt to equity ratio increases from 1.09 to 1.34 times when the full Baht 2,000 million of loan is drawn. However, the higher debt to equity ratio will not break the covenants currently agreed with the financial institutions. The debt to equity ratio will gradually reduce as the investee company starts operation and generates sufficient liquidity to repay part of the loan.
- The Company may be legally pursued for default on the loan agreement

The acceptance of the financial assistance from the directors and connected persons as opposed to entering into the transaction with external parties brings about the following benefits to the Company;

- The Company has flexibility in managing liquidity because the directors and connected persons agree to be repaid by the Company before maturity enabling the Company to reduce the burden of interest expense in case that it has excess cash from operation (but the directors and connected persons cannot call for prepayment before maturity).
- The Company has flexibility in changing the investment plan and drawdown schedule to match the uses of fund. The Company can adjust the investment plan according to the future economic situation because it can gradually borrow from the directors and connected persons to perfectly match the plan. The interest expense and other borrowing expenses will therefore be reduced.
- Unlike borrowing from financial institutions, the Company does not have a burden of procuring collateral to secure the loan. It, therefore, reduces the burden for procurement of collateral and expenses for the pledge of collateral.
- Unlike borrowing from financial institutions, issuance and offering of debenture, and issuance and offering of capital increased shares, there is no fee nor expenses relating to the loan.

Nevertheless, the acceptance of financial assistance from the directors and connected persons as opposed to entering into the transaction with the external parties brings about the following benefits to the Company;

- The Company has a risk of reliance too heavily on the directors and connected persons as a main creditor. Should the Company borrow fully at the approved amount, the total loan from the directors and connected persons will be 43.12% of the total liabilities. However, the reliance is partly balanced by the fact that the Company has been borrowing from the directors and connected persons

to the level where, as at September 30, 2008, this loan accounts for 24.82% of the total liabilities. Moreover, the Company still has short-term loan accounting for 36.81% of the total liabilities.

- The Company has a risk of not receiving the loan from the directors and connected persons at full amount as approved because the Company and its subsidiaries do not enter into any agreement or memorandum of understanding with the directors and connected persons indicating that the directors and connected persons have obligation to lend to the Company at the full amount when requested by the Company. The Company and its subsidiaries will enter into a loan agreement every time it draws the loan. The Company therefore has a risk of not receiving the expected amount of loan. Nevertheless, the Company can consider other fund raising alternatives because the loan agreement with the directors and connected persons has no condition restricting the Company from raising fund through other alternatives.

The Financial Advisor has compared the price and term of the transaction by comparing the financial costs between borrowing from the directors and connected persons with borrowing by other means as follows;

1) The borrowing from financial institutions: The interest rate for the borrowing from the directors and connected persons may be higher than borrowing from the financial institutions. Should the Company borrow from financial institutions at a discount of more than 0.75 – 1.00% per annum from the reference interest rate (MLR-1.00% to MLR-0.75%). However, the loan from the directors and connected persons does not have any restriction on fund raising with other alternatives, incurs no other expenses nor fees relating to the borrowing nor prepayment penalty. In addition, the interest rate will be a fixed one, therefore, there will be no volatility of interest rate for the borrowing for the portion of which the agreement is already entered into. Further, the banks may not consider a loan for the Company as part of the loan proceeds will be used to repay the existing short-term loan from the directors and connected persons which will be gradually due within 2009. The banks may decline the loan altogether or offers loan with a condition requesting the Company to raise fund from other alternatives to repay the mentioned loan first and they will consider the loan for working capital. Additionally, the banks may have to arrange a syndication loan which will consume more time and affect the investment schedule.

2) The issuance and offering of debenture: When compared to the debentures issued in 2008 which have maturity of 5 years and offered by the listed companies with similar business, the interest rate from the loan from directors and connected persons charges 0.50 to 0.30% higher interest rate than the reference debentures. However, should the Company issue a debenture, the coupon rate may be higher or lower than those of the reference companies because of the difference between the Company and the reference companies which normally reflects in the credit rating, the volatility in the

money market and capital market as a result of the global economic meltdown, and the domestic political turmoil. In particular, should the credit rating fall below the investment grade, the Company may not be able to raise fund as planned even though the coupon rate is raised to compensate the increasing risk. Additionally, the investors may avoid the debenture altogether because the Company plans to use the proceeds to replace the short-term loan from the directors and connected persons to be due within 2009.

Although the Monetary Policy Committee has resolved to reduce the 1-day treasury bill by 1% per annum to the level of 2.75% per annum on December 3, 2008 causing some commercial banks to reduce their reference lending rate which are MLR, MOR, and MRR, the Company might not be able to borrow or issue debenture at the lower interest rate immediately because of the turbulence in the money market, caution in lending by the banks, and wariness of the investors.

The Financial Advisor is of an opinion that the shareholders should approve the connected transaction although the interest rate for the loan from the directors and connected persons may be higher than the interest rate for loan from financial institutions or issuance and offering of debenture. However, the prevailing money market and capital market situation is not favorable for other fund raising alternatives to the extent that it may not be able to raise the required fund. The connected transaction will enable the Company to invest according to the plan which will, as a result, increase the revenue from export of chicken meat and processed chickens, expand its customers base, adjust its financial structure to conform with the nature of the business and investment, and avoid the risk of default on the existing short-term loan from the directors and connected persons.

Finally, the loan from the directors and connected persons does not have any condition restricting the Company from raising fund through other alternatives. Therefore, should the money market and the capital market be more favorable for fund raising such as the interest rate falls considerably or the Company's share price rises dramatically, it may raise fund through other alternatives and repay this loan from the directors and connected persons before maturity.

Nevertheless, the decision to approve the connected transaction totally rests with the shareholders. The Financial Advisor has disclosed the relevant information and expressed its opinion on the information received from the Company, and also from an interview with the management and staff of the Company based on the assumption that the received information and assumptions are reliable, complete, and accurate.

The shareholders should review the information in the documents attached with the invitation to the shareholders' meeting for the benefit of consideration and decision making regarding the approval of the transaction.

We, the Financial Advisor, hereby undertake that our opinions in this report have been rendered with circumspect consideration according to professional standard for the benefits of the shareholders.

The Financial Advisor's opinion can be summarized as follows;

## 1. Background of GFPT

### 1.1. History

GFPT was established on November 25, 1981 to produce and distribute frozen chicken meat, processed chicken, and its by-products for both domestic and overseas market. According to the shareholders registration book on April 9, 2008 which was the latest booking closing date, the Sirimongkolkasem group held 60.24% of the Company's total issued and paid-up shares.

The history and significant development of the Company are as follows;

| | | |
|---|---|---|
| January 27, 1982 | : | The Company received BOI promotion for the first time for chicken breeding and processing under the business type of animal raising or meat processing, and chicken slaughtering and evisceration for export. The key privilege was a 5-year exemption of corporate income tax (1984-1988) |
| November 23, 1987 | : | The Company increased its registered capital to Baht 100 million to invest in expansion of its factory to the capacity of 6,000 broilers per hour. |
| January 15, 1988 | : | The Company received BOI promotion for the second time of which privilege was a 7-year exemption of corporate income tax (1990-1996). |
| March 24, 1989 | : | The Company increased its registered capital to Baht 150 million to raise its capacity to 7,200 broilers per hour. |
| December 14, 1989 | : | The Company has changed its name to "GFPT Company Limited" |
| May 24, 1990 | : | The Company increased its registered capital to Baht 420 million to acquire 99.99% total issued and paid-up shares of Krungthai Farm Company Limited ("FKT"), and also acquire 99.99% total issued and paid-up shares of MKS Farm Company Limited ("MKS") |

| | | |
|---|---|---|
| May 3, 1991 | : | The Company increased its registered capital from Baht 420 million to Baht 1,000 million. |
| July 25, 1991 | : | The Company acquired 65.00% of the total issued and paid-up shares of Krungthai Feedmill Company Limited (“KT”) (KT underwent delisting from the SET. The Company gradually bought shares from the shareholders intending to sell until it held 96.86% on September 30, 2008). |
| January 27, 1992 | : | The Company was listed on the SET with registered capital of Baht 1,000 million, and issued and paid-up capital of Baht 570 million. |
| July 23, 1992 | : | The Company acquired 99.99% of the total issued and paid-up shares of GF Foods Company Limited (“GFF”). |
| May 21, 1993 | : | The Company invested in 49.00% of McKey Food Services (Thailand) Limited (“McKey”)’s issued and paid-up shares. |
| February 15, 1994 | : | The Company was transformed to public company limited. |
| May 10, 1994 | : | KT was transformed to public company limited. |
| August 31, 1998 | : | KT underwent delisting from the SET. |
| April 28, 2000 | : | The Company increased its registered capital from Baht 1,000 million to Baht 1,400 million, and increased its issued and paid-up capital from Baht 626.91 million to Baht 1,253.82 million. |
| December 1, 2003 | : | The Company invested in 99.99% of the total issued and paid-up shares of GP Breeding Company Limited (“GP”). |
| November 6, 2008 | : | The Company entered into an agreement with Nichirei Foods Inc. (“Nichirei”), which was a company incorporated in Japan. Nichirei and the Company agreed to establish a new joint venture company in Thailand and name GFPT Nichirei (Thailand) Company Limited (“GFN”). This joint venture company’s main purpose is to produce and distribute processed chickens and frozen chickens to Japan and other countries. The joint venture with Nichirei will potentially expand the Company’s export market to Japan and other countries. |
| November 27, 2008 | : | The Company invested in 49.00% of GFN’s total issued and paid-up capital. |
| December 15, 2008 | : | The Company’s Board of Directors no. 12/2551 approved the Company and/or its subsidiaries to borrow from the directors and connected persons for up to Baht 2,000 million with maturity of not exceeding 5 years at the interest rate of no higher than 6.00% per annum. |

1.2. **The Company's Businesses**

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                                   GFPT Public Company Limited
                                                |
Chicken Evisceration and Processing             |------------------ GFPT Nichirei (Thailand) Co., Ltd.
                                                | 49.00%                  ("GFN")
                                                |
        |-----------------------------|---------------------------|-----------------------------|-----------------------------------------------|
        | 96.86%                      | 99.99%                    | 99.99%                      | 99.99%                          99.99% |
        |                             |                           |                             |                                        |
   Krungthai Feedmill          GP Breeding                Krungthai Farm              MKS Farm                GF Foods                |
        Plc                     Co., Ltd.                  Co., Ltd.                  Co., Ltd.               Co., Ltd.    ---------|
     ("KT")                     ("GP")                     ("FKT")                    ("MKS")                 ("GFF")                |
                                                                                                                                      |
                                                                                                                                      |
                                                                                                                                 49.00% |
                                                                                                              McKey Food Services      |
                                                                                                              (Thailand) Co., Ltd.    ------|
                                                                                                                   ("McKey")

   Feed Mill                  Grandparent                Hatchery Farming            Broiler Farming         Processed Chicken
                              Chicken Farming                                                                        Foods
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The Company and its subsidiaries engage in full-fledged agriculture business, of which scope covers feed mill business, grandparent chicken farming business, hatchery farming business, broiler farming business, chicken evisceration and processing business, and processed chicken foods production and distribution business. The nature of the Company's and its subsidiaries' business are as follows;

KT has a registered capital of Baht 400 million and 96.86% held by GFPT. KT engages in feed mill business under the Company's brand. KT's main products are landed animal feeds and fishery feeds. KT distributes landed animal feed especially chicken feed to the Company's subsidiaries namely MKS, FKT, GP, and also other animal raisers in general. For the fishery feeds, KT distributes fishery animal raisers in general. In 2008, KT has a total capacity of 460,000 tons from 1 landed animal feed mill and 2 fishery feed mills. All 3 mills are located in Samutprakarn. KT is in the process of building a new feed

mill in Banbueng, Cholburi with total capacity of 512,000 tons and the budget of Baht 800 million. This new plant is expected to be completed in January 2009.

GP has a registered capital of Baht 200 million and 99.99% held by GFPT. GP engages in grandparent chicken farming to produce parent stocks for FKT. In 2008, GP produces 750,000 of parent stocks from its 1 farms in Cholburi.

FKT has a registered capital of Baht 350 million and 99.99% held by GFPT. FKT engages in hatchery farm business by purchasing parent stocks from GP to produce both commercial day-old-chicks and layer day-old chicks, and sell them to MKS and KT. In 2008, FKT produces 72 million commercial day-old-chicks from 5 commercial day-old chicks farms and 6 million layer day-old-chicks from 1 layer day-old-chicks farm in Cholburi.

MKS has a registered capital of Baht 550 million and 99.99% held by GFPT. MKS engages in broiler farm by purchasing commercial day-old-chicks from FKT to feed for 41-43 days until they turn into broilers and sells them to GFPT who will eviscerate and process. In 2008, MKS's total capacity is 47 million broilers from its 10 farms in Cholburi.

GFPT has a registered capital of Baht 1,400 million and engages in business of evisceration and processing of chickens. Its main products are chicken meat and processed chickens, and by-products which are sold under both its own brand and its customers' brand for both domestic and export markets. In 2008, the Company's total production is 138,000 tons from 1 factory in Samutprakarn.

GFN has a registered capital of Baht 1.00 million (expect to increase to Baht 780 million within June 2009) and 49.00% held by GFPT. GFN engages in chicken evisceration and processing by purchasing broilers from MKS for processing and distributing to Japan and other countries. GFN is about to build processing plant and cooked chicken products plant in Banbueng, Cholburi of which capacity for chicken processing is 75,000 tons per year and for cooked chicken products is 18,000 tons per year. The total budget for the construction will be approximately Baht 1,560 million and ready for operation within the fourth quarter of 2010.

GFF has a registered capital of Baht 40 million and 99.99% held by GFPT. GFF engages in production and distribution of processed foods business. Its main products are sausages which are distributed under its own brand through fresh markets, wholesalers, and department stores. In 2008, GFF has a total production of 5,000 tons from 1 factory in Samutprakarn.

McKey has a registered capital of Baht 100 million and 49.00% held by GFPT. McKey engages in production and distribution of processed foods. McKey's products are distributed to McDonalds' restaurants both in Thailand and overseas. In 2008, McKey has a total production of 15,000 tons from 1 factory in Samutprakarn.

### 1.3. Registered Capital and Paid-Up Capital

As at September 30, 2007, the Company's registered capital is Baht 1,400 million comprising of 140,000,000 shares at par value of Baht 10.00, Baht 1,253.821 million of which is paid up comprising of 125,382,100 shares at par value of Baht 10.00.

### 1.4. Shareholding Structure

The top ten shareholders as at April 9, 2008, when the shares registeration book was last closed, were as follows;

| List of Shareholders | Number of Shares | % |
|---|---|---|
| 1. Mr.Sujin Sirimongkolkasem | 22,279,510 | 17.77 |
| 2. Mr.Prasit Sirimongkolkasem | 22,000,000 | 17.55 |
| 3. Mr.Virach Sirimongkolkasem | 18,000,000 | 14.36 |
| 4. Mr.Anucha Kittanamongkolchai | 5,490,000 | 4.38 |
| 5. Thai NVDR Co., Ltd. | 3,832,247 | 3.06 |
| 6. Albouys Nominees Limited | 3,414,100 | 2.72 |
| 7. Mr.Somkiat Limsong | 2,386,520 | 1.90 |
| 8. Mr.Pitsanu Kittimongkolkasem | 2,279,410 | 1.82 |
| 9. Ms.Wiwanya Sirimongkolkasem | 2,002,610 | 1.60 |
| 10. Ms.Varisra Sirimongkolkasem | 2,000,400 | 1.60 |

### 1.5. Board of Directors

The Company's Board of Directors as at September 30, 2008 is composed of 10 directors whose names are as follows;

| Name | Position |
|---|---|
| 1. Mr.Prasit Sirimongkolkasem | Chairman |

| | |
|---|---|
| 2. Mr.Virach Sirimongkolkasem | Vice Chairman and Managing Director |
| 3. Dr.Anan Sirimongkolkasem | Chairman of Executive Committee and Deputy Managing Director |
| 4. Mrs.Somsiri Ingpochai | Executive Director |
| 5. Mrs.Pranee Parksook | Executive Director and Finance Director |
| 6. Ms.Wannee Sirimongkolkasem | Director |
| 7. Mr.Sujin Sirimongkolkasem | Director |
| 8. Dr.Sathit Karanes | Chairman of Audit Committee and Independent Director |
| 9. Mr.Paramet Hetrakul | Member of Audit Committee and Independent Director |
| 10. Mr.Thanathip Pichedvanichok * | Member of Audit Committee and Independent Director |

Remark: * Appointed as a Member of Audit Committee and Independent Director on June 26, 2008, and to be effective since July 1, 2008.

## 1.6. Financial Status and Financial Results

### 1.6.1. Financial Statement

#### 1.6.1.1. Summary of Financial Status

The table illustrating highlights of balance sheet for the periods ended December 31, 2005, December 31, 2006, December 31, 2007, and September 30, 2008 is as follows;

| Balance Sheet | 2005 (Audited) | | 2006 (Audited) | | 2007 (Audited) | | 9 months, 2008 (Reviewed) | |
|---|---|---|---|---|---|---|---|---|
| | Mil. Baht | % | Mil. Baht | % | Mil. Baht | % | Mil. Baht | % |
| ASSETS | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Cash and Cash Equivalent Items | 84.04 | 1.49 | 126.56 | 2.43 | 100.83 | 1.61 | 142.77 | 1.97 |
| Short-Term Investment | 50.00 | 0.88 | - | - | 7.00 | 0.11 | 0.50 | 0.01 |
| Accounts and Notes Receivable - Net | 306.13 | 5.41 | 321.49 | 6.18 | 436.40 | 6.98 | 591.15 | 8.15 |
| Accounts Receivable-Subsidiary, Associated Related Companies | 24.98 | 0.44 | 46.21 | 0.89 | 29.93 | 0.48 | 26.13 | 0.36 |
| Inventories - Net | 1,086.92 | 19.21 | 1,093.19 | 21.01 | 1,428.26 | 22.85 | 1,948.97 | 26.87 |
| Other Current Assets | | | | | | | | |
| Land Deposit | - | - | 10.52 | 0.20 | - | - | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Others | 25.49 | 0.45 | 16.13 | 0.31 | 28.77 | 0.46 | 31.66 | 0.44 |
| TOTAL CURRENT ASSETS | 1,577.55 | 27.88 | 1,614.10 | 31.02 | 2,031.20 | 32.50 | 2,741.17 | 37.79 |
| NON-CURRENT ASSETS | | | | | | | | |
| Investment in Subsidiary and Associated Companies | 107.10 | 1.89 | 111.26 | 2.14 | 129.20 | 2.07 | 137.25 | 1.89 |
| Grandparent Chickens - Net | - | - | 20.55 | 0.40 | 28.09 | 0.45 | 30.27 | 0.42 |
| Parent Chickens - Net | 194.81 | 3.44 | 205.41 | 3.95 | 222.02 | 3.55 | 269.36 | 3.71 |
| Asset for Rent - Net | 235.68 | 4.17 | 209.82 | 4.03 | 198.02 | 3.17 | 189.23 | 2.61 |
| Property, Plant and Equipment – Net | 3,449.04 | 60.97 | 2,927.36 | 56.26 | 3,461.78 | 55.38 | 3,709.41 | 51.14 |
| Property, Plant Not Used for Operations – Net | 39.72 | 0.70 | 52.56 | 1.01 | 123.18 | 1.97 | 130.42 | 1.80 |
| Deferred Goodwill | 41.74 | 0.74 | 35.32 | 0.68 | 28.90 | 0.46 | 28.90 | 0.40 |
| Other Non-Current Assets | 11.74 | 0.21 | 26.92 | 0.52 | 28.15 | 0.45 | 17.99 | 0.25 |
| TOTAL NON-CURRENT ASSETS | 4,079.83 | 72.1 | 3,589.22 | 68.98 | 4,219.34 | 67.50 | 4,512.83 | 62.21 |
| TOTAL ASSETS | 5,657.38 | 100.00 | 5,203.32 | 100.00 | 6,250.54 | 100.00 | 7,254.01 | 100.00 |
| LIABILITIES | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Bank Overdraft and Short-Term Loans from Financial Institutions | 494.09 | 8.73 | 771.19 | 14.82 | 1,351.43 | 21.62 | 1,707.32 | 23.54 |
| Accounts and Notes Payable | 216.05 | 3.82 | 313.32 | 6.02 | 329.63 | 5.27 | 331.55 | 4.57 |
| Accounts and Notes Payable of Subsidiary Companies and Associated Company | 0.77 | 0.01 | 0.12 | 0.00 | 6.27 | 0.10 | 36.81 | 0.51 |
| Current Portion of Long-Term Loans | 160.00 | 2.83 | 155.00 | 2.98 | 74.54 | 1.19 | 83.16 | 1.15 |
| Short-Term Loans from Directors and Related Persons | 997.00 | 17.62 | 1,127.70 | 21.67 | 1,238.00 | 19.81 | 1,151.10 | 15.87 |
| Other Current Liabilities | | | | | | | | |
| Accrued Expenses | 54.72 | 0.97 | 64.41 | 1.24 | 65.92 | 1.05 | 142.86 | 1.97 |
| Other Payables | 81.89 | 1.45 | 34.65 | 0.67 | 42.65 | 0.68 | 60.28 | 0.83 |
| Others | 13.74 | 0.24 | 18.36 | 0.35 | 31.68 | 0.51 | 26.10 | 0.36 |
| TOTAL CURRENT LIABILITIES | 2,018.26 | 35.67 | 2,484.75 | 47.75 | 3,140.12 | 50.24 | 3,539.18 | 48.79 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| Long-Term Loans | 313.75 | 5.55 | 158.75 | 3.05 | 304.21 | 4.87 | 236.84 | 3.26 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other Non-Current Liabilities | 6.69 | 0.12 | 6.96 | 0.13 | 8.72 | 0.14 | 13.10 | 0.18 |
| TOTAL NON-CURRENT LIABILITIES | 320.44 | 5.66 | 165.71 | 3.18 | 312.93 | 5.01 | 249.94 | 3.45 |
| TOTAL LIABILITIES | 2,338.71 | 41.34 | 2,650.46 | 50.94 | 3,453.05 | 55.24 | 3,789.12 | 52.23 |
| SHAREHOLDERS' EQUITY | | | | | | | | |
| Issued and Paid-up Share @ Baht 10 | 1,253.82 | 22.16 | 1,253.82 | 24.10 | 1,253.82 | 20.06 | 1,253.82 | 17.28 |
| Premium on Share Capital | 525.00 | 9.28 | 525.00 | 10.09 | 525.00 | 8.40 | 525.00 | 7.24 |
| Revaluation Surplus of Land | 729.11 | 12.89 | - | - | - | - | - | - |
| Appropriated Retained Earning – Legal Reserve | 69.56 | 1.23 | 88.01 | 1.69 | 93.61 | 1.50 | 106.61 | 1.47 |
| Retained Earning - Unappropriated | 720.50 | 12.74 | 663.78 | 12.76 | 903.48 | 14.45 | 1,551.65 | 21.39 |
| SHAREHOLDERS' EQUITY OF GFPT PCL. | 3,297.98 | 58.30 | 2,530.61 | 48.63 | 2,775.91 | 44.41 | 3,437.08 | 47.38 |
| MINORITY SHAREHOLDERS' INTEREST | 20.69 | 0.37 | 22.25 | 0.43 | 21.57 | 0.35 | 27.81 | 0.38 |
| TOTAL SHAREHOLDERS' EQUITY | 3,318.68 | 58.66 | 2,552.86 | 49.06 | 2,797.48 | 44.76 | 3,464.89 | 47.77 |

The table illustrating highlights of income statement for the year 2005, 2006, 2007, and 9 months of 2008 is as follows;

| Statement of Incomes | December 31, 2005 (Audited) | | December 31, 2006 (Audited) | | December 31, 2007 (Audited) | | September 30, 2008 (Reviewed) | |
|---|---|---|---|---|---|---|---|---|
| | Mil. Baht | % | Mil. Baht | % | Mil. Baht | % | Mil. Baht | % |
| REVENUES | | | | | | | | |
| Revenues from Sales | 6,621.03 | 98.77 | 7,220.58 | 98.35 | 8,121.98 | 98.61 | 7,967.18 | 98.42 |
| Other Income | 61.98 | 0.92 | 97.68 | 1.33 | 85.47 | 1.04 | 104.11 | 1.29 |
| Participating Profit in Associated Company | 20.18 | 0.30 | 23.76 | 0.32 | 29.21 | 0.35 | 23.48 | 0.29 |
| TOTAL REVENUES | 6,703.19 | 100.00 | 7,342.02 | 100.00 | 8,236.67 | 100.00 | 8,094.77 | 100.00 |
| EXPENSES | | | | | | | | |
| Cost of Sales * | 5,700.77 | 85.05 | 6,503.94 | 88.59 | 7,187.59 | 87.26 | 6,671.77 | 82.42 |
| Selling and Administrative Expenses * | 541.79 | 8.08 | 635.92 | 8.66 | 655.83 | 7.96 | 540.00 | 6.67 |
| Directors' Remunerations | 4.68 | 0.07 | 4.61 | 0.06 | 4.68 | 0.06 | 3.69 | 0.05 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| TOTAL EXPENSES | 6,247.24 | 93.20 | 7,144.47 | 97.31 | 7,848.10 | 95.28 | 7,215.47 | 89.14 |
| PROFIT (LOSS) BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX | 455.95 | 6.80 | 197.55 | 2.69 | 388.57 | 4.72 | 879.31 | 10.86 |
| INTEREST EXPENSES | 84.54 | 1.26 | 83.21 | 1.13 | 106.34 | 1.29 | 96.08 | 1.19 |
| CORPORATE INCOME TAX | 0.82 | 0.01 | 0.51 | 0.01 | - | - | 15.52 | 0.19 |
| PROFIT BEFORE MINORITY SHAREHOLERS' INTEREST | 370.59 | 5.53 | 113.82 | 1.55 | 282.23 | 3.43 | 767.70 | 9.48 |
| PLUS (LESS) LOSS(PROFIT) FROM MINORITY SHAREHOLDERS' INTEREST | 1.53 | 0.02 | 1.79 | 0.02 | 0.68 | 0.01 | 6.25 | 0.08 |
| NET PROFIT FOR GFPT PCL. | 369.05 | 5.51 | 112.03 | 1.53 | 282.91 | 3.43 | 761.46 | 9.41 |

Remark: * In 2008, the Company has changed the booking method from booking loss from chicken extermination in Selling and Administrative Expenses to Cost of Sales.

1.6.1.2. Financial Ratios

| Financial Ratios | | 2005 | 2006 | 2007 | 9 months, 2008 |
|---|---|---|---|---|---|
| Liquidity Ratios | | | | | |
| Current Ratio | (Times) | 0.78 | 0.65 | 0.65 | 0.77 |
| Quick Ratio | (Times) | 0.23 | 0.20 | 0.18 | 0.21 |
| Cash Flow Liquidity Ratio | (Times) | 0.36 | 0.28 | 0.14 | 0.26 |
| Account Receivable Turnover Ratio | (Times) | 17.96 | 18.06 | 17.59 | 17.70 |
| Average Collection Period | (Days) | 20.04 | 19.93 | 20.47 | 20.34 |
| Inventory Turnover Ratio | (Times) | 50.56 | 69.53 | 69.10 | 61.96 |
| Inventory Turnover Period | (Days) | 7.12 | 5.18 | 5.21 | 5.81 |
| Account Payable Turnover Ratio | (Times) | 26.15 | 24.53 | 22.14 | 25.31 |
| Average Payment Period | (Days) | 13.77 | 14.68 | 16.26 | 14.22 |
| Cash Cycle | (Days) | 13.39 | 10.43 | 9.42 | 11.93 |
| Profitability Ratios | | | | | |
| Gross Profit Margin Ratio | (%) | 13.90 | 9.92 | 11.50 | 16.26 |
| Operating Profit Margin Ratio | (%) | 6.52 | 2.37 | 4.38 | 10.60 |
| Cash to Profitability Ratio | (%) | 169.28 | 360.90 | 106.24 | 103.18 |
| Net Profit Margin Ratio | (%) | 5.51 | 1.53 | 3.43 | 9.41 |
| Return on Equity Ratio | (%) | 11.98 | 3.82 | 10.58 | 32.48 |

| | | | | | |
|---|---|---|---|---|---|
| Efficiency Ratios | | | | | |
| Return on Asset Ratio | (%) | 6.67 | 2.06 | 4.94 | 15.06 |
| Return on Fixed-Asset Ratio | (%) | 16.48 | 10.67 | 15.74 | 32.22 |
| Assets Turnover Ratio | (Times) | 1.21 | 1.35 | 1.44 | 1.60 |
| Financial Policy Ratios | | | | | |
| Debt to Equity Ratio | (Times) | 0.70 | 1.04 | 1.23 | 1.09 |
| Time Interest Earned Ratio | (Times) | 9.74 | 8.54 | 4.59 | 10.35 |
| Debt Service Coverage Ratio | (Times) | 0.37 | 0.49 | 0.14 | 0.18 |
| Dividend Payout Ratio | (%) | 40.77 | 33.57 | 35.46 | 0.00 |

1.6.2. Explanation, Financial Analysis, and Financial Results

1.6.2.1. Summary of the Company's Past Performance

Revenues from sales of the Company and its subsidiaries were Baht 8,121.98 million in 2007, an increase of 12.48% from 2006, and Baht 7,967.18 million in the third quarter of 2008, an increase of 37.62% compared to the same period of 2007. The increase was accounted for the rise in consumption demand of chicken in both domestic and overseas markets especially in Japan and Europe which resulted in continuous increase in processed chicken export volume. In addition, the average selling price of chicken meat products also increased. Moreover, revenues from feed mill sales continually increased as a result of its upswing of quantity and average selling price.

Cost of Sales was also in upward trend which stood at Baht 7,187.59 million in 2007, an increase of 10.51% year-on-year, and Baht 6,671.77 million in the third quarter of 2008, an increase of 27.73% year-on-year. The increase was owing to the rise of raw material volume used throughout production line in accordance with the selling volume, and also the rising of raw material price of feed mill and processing materials. Besides, selling and administrative expenses, which mainly were wages and freight for both export and domestic market, was on rising trend according to the increase in selling volume of the Company and its subsidiaries. It was Baht 655.83 million in 2007, an increase of 3.13% from 2006 and was Baht 540.00 million in the first nine months of 2008, an increase of 15.90% year-on-year. Its steep increase in the first nine months of 2008 was caused by the rise in selling volume of both domestic and overseas markets that escalated the freight cost.

Even though the Company's cost of sales and selling and administrative expenses have been increasing each year, the Revenue from sales grew even higher especially in the last quarter of 2007

and in the first nine months of 2008. This brought about the continual rise in earning before interest and tax, which was Baht 388.57 million in 2007, an increase of 96.70% from 2006 and was Baht 879.31 million in the first nine months of 2007, an increase of 406.16% year-on-year. Net Income was Baht 282.23 million in 2007, an increase of 152.52% from 2006 and was Baht 761.46 million in the first nine months of 2007, an increase of 685.97% year-on-year.

1.6.2.2. The Past Performance of Each Business or Business Sector

The Company and its subsidiaries engage in full-fledged agriculture business, of which scope covers feed mill business, grandparent chicken farming business, hatchery farming business, broiler farming business, chicken evisceration and processing business, and processed chicken foods production and distribution business. However, chicken evisceration and processing business, and feed mill business are two main sources of income for the consolidated revenues of the Company and its subsidiaries.

(1) Chicken evisceration and processing business (GFPT Public Company Limited- explicit business)

GFPT produces and distributes eviscerated and processed chickens for both domestic and overseas markets. GFPT's Total revenues after the deduction of inter-company transaction within the group accounted for 53.57% and 58.10% of consolidated total revenues in 2007 and in the first nine months of 2008 respectively.

(1.1) Revenue from Sales

GFPT's revenue from sales in 2007 grew by 14.58% from 2006 and in the first three quarters of 2008 grew by 49.41% year-on-year resulted from continual rise of domestic and export selling quantity.

(1.2) Other Income

Other major income of GFPT was revenue from product analysis services, revenue from land leased and rent, and foreign exchange gain. Unlike in 2006, there was no revenue from production for subsidiaries in 2007. Therefore, other income dropped by 37.49% from 2006. For the first nine months of 2008, other income sharply rose by 111.36% year-on-year due to an increase of Baht 22 million in foreign exchange gain.

(1.3) Cost and Selling & Administrative Expenses

GFPT's main cost of sales consisted of the purchase of chicken from MKS and FKT, the purchase of chicken by-products, the purchase of other raw materials, and overhead cost. Cost of sales grew by 8.57% Year-on-year in 2007 and 43.61% Year-on-year in the first nine months of 2008 respectively. The increase in chicken purchasing price, produced quantity, overhead cost, and other raw materials price were main causes of the significant rise in cost of sales in the first nine months of 2008.

Selling & administrative expenses, which mainly consisted of freight, wages, oil cost and car maintenance, and depreciation, increased by 11.55% year-on-year and 40.63% year-on-year in 2007 and in the first nine months of 2008 respectively due to the rise in freight and car maintenance expenses, which coincided with growth in export volume, and an annual rise of wages.

(1.4) Net income

GFPT's net income in 2007 was Baht 259.94 million which increased significantly by 332.64% year-on-year and in the first nine months of 2008 was Baht 418.89 million or increased by 194.19% year-on-year. The increase resulted from annual growth of revenue from sales.

(2) Feed mill Business (Krungthai Feedmill Public Company Limited – explicit business)

KT engages in feed mill business and distributes to MKS, FKT, GP, and also other general animal raisers. KT's total revenues after the deduction of inter-company transaction within the group accounted for 40.38% and 36.93% of the consolidated total revenues in 2007 and in the first nine months of 2008 respectively.

(2.1) Revenue from Sales

KT's key revenue from sales is from sales of feed mill (for chicken, pig, duck, shrimp and fish). In 2007, revenue from sales grew by 11.30% year-on-year in line with the upswing trend of raw material price. For the first nine months of 2008, revenue from sales went up 42.86% year-on-year as a result of the rapid increase in sales of feed mill. This was because fishery and landed animal raisers increased their production volume in the first nine months of 2008, especially chicken raisers as there was no avian influenza during that period.

(2.2) Other Income

KT's other income, which mainly is freight collected from customers, rose by 21.73% year-on-year and 38.62% year-on-year in 2007 and in the first nine months of 2008 respectively. This upward trend was in accordance with an increase in KT's feed mill sales.

(2.3) Cost and Selling & Administrative Expenses

Majority of cost of sales is from the raw materials for animal feed mil production i.e. corn, dry ground-up fish, wheat flour, and soy pulp. In 2007, the growth of cost of sales by 13.04% year-on-year was attributed to an increase in raw material price. In the first nine months of 2008, the 37.58% year-on-year rise was caused by an increase in both price and volume of raw materials, which was in line with increasing production volume.

Selling and administrative expenses, which mainly are freight, wages, bonus and advertisement expenses, went up 15.06% year-on-year and 5.93% year-on-year in 2007 and in the first nine months of 2008 respectively partly because of a rise in freight affected by high oil price, wages and bonus, and advertisement expenses in order to stimulate sales towards 2007 year end.

(2.4) Net income

KT had net profit of Baht 57.82 million in 2006 while it lost Baht 24.64 million in 2007. This was caused by the increasing price of raw materials while the product's selling price was regulated by the Department of Internal Trade. For the first nine months of 2008, KT's had net profit of Baht 210.15 million, improved from net loss of Baht 48.74 million in the first nine months of 2007, due to the increase in selling volume and the ability to price their products according to the higher cost.

(3) Grandparent Chicken Farming Business (GP Breeding Co., Ltd. – explicit business)

GP engages in grandparent chicken farming to produce parent stocks for FKT. GP's total revenues after the deduction of inter-company transaction within the group accounted for 0.01% and 0.05% of the consolidated total revenues in 2007 and in the first nine months of 2008 respectively.

(3.1) Revenue from Sales

In 2006, GP's source of income was from selling of parent chicks, its main business, and trading raw materials. However, in 2007, GP terminated its raw materials trading business and emphasized on its main business instead which brought about a rise in revenue from selling of parent chicks by 224.63% year-on-year and 61.10% yYear-on-year in 2007 and in the first nine months of 2008 respectively. The increasing revenue was a consequence of the higher in both selling price and selling volume of parent chicks.

(3.2) Cost and Selling & Administrative Expenses

An increase of GP's cost of sales by 291.65% year-on-year and 24.93% year-on-year in 2007 and in the third quarter of 2008 respectively was in line with a raising volume of grandparent chickens and a production volume of parent chickens, especially the expansion of grandparent farms in 2007.

In 2007, selling and administrative expenses increased by 85.09% year-on-year because GP booked the pre-farming expenses, consisting of cleansing and sterilizing expenses as part of selling and administrative expenses because during that period there was an extraordinary long interval between two generations of chickens (the expense is usually booked as cost of sales during raising period). For the first nine months of 2008, GP's selling and administrative expenses went up by 94.34% year-on-year.

(3.3) Net income

In 2007, GP's net income was Baht 9.69 million, or rose by 22.26% from 2006 which was in proportion to the increase in revenue and cost of sales. For the first nine months of 2008, net income was Baht 17.69 million, or rose by 225.08% year-on-year as GP was able to increase the price of parent chicks more than the increasing cost of sales.

(4) Hatchery Farming Business (Krungthai Farm Co., Ltd. – explicit business)

FKT engages in hatchery farm business by purchasing commercial parent chicks from GP to raise, produce, and sell commercial day-old-chicks to MKS and KT. For layer parent chicks, FKT imports them to raise and produce layer day-old-chicks to sell to KT and general independent raisers. FKT's total revenues after the deduction of inter-company transaction within the group accounted for 1.17% and 1.07% of consolidated total revenues in 2007 and in the first nine months of 2008 respectively.

(4.1) Revenue from Sales

FKT's revenue from sales grew by 36.45% Yea-on-year and 28.08% year-on-year in 2007 and in the first nine months of 2008 respectively. Since FKT's main revenue from sales were from selling commercial day-old-chicks to the Company's group, an increase in selling volume of commercial day-old-chicks was in accordance with the rising in chicken meat export demand of GFPT.

(4.2) Cost and Selling & Administrative Expenses

Key cost of sales is day-old-chicks production cost. An increase of FKT's cost of sales by 31.16% year-on-year and 29.81% year-on-year in 2007 and in the first nine months of 2008 respectively was in line with a rise in revenue from sales.

FKT's selling and administrative expenses dropped 44.59% year-on-year and 24.42% year-on-year in 2007 and in the first nine months of 2008 respectively as a result of the lower freight. In 2007, FKT was able to greatly reduce their freight since MKS picked up and transported commercial day-old-chicks from FKT site.

In addition, in 2007 and in the first nine months of 2008, FKT loss from extermination of day-old-chick and from sales of prematurely discharged parent chicks.

(4.3) Net Income

FKT generated net income of Baht 20.10 million in 2007 whereas it had net loss of Baht 43.34 million in 2006. In the first nine months of 2008, net income was Baht 31.73 million, an increase of 44.24% year-on-year. This resulted from the rise in selling volume, the decline in selling and administrative expenses, loss from extermination of chicks, and decline of loss from sales of prematurely discharged parent stocks.

(5) Broiler Farming Business (MKS Farm Co., Ltd. - explicit business)

MKS engages in broiler farming to sell them to GFPT for evisceration and processing. MKS's total revenues after the deduction of inter-company transaction within the group accounted for 0.01% and 0.04% of the consolidated total revenues in 2007 and in the first nine months of 2008 respectively.

(5.1) Revenue from Sales

MKS's revenue from sales continually grew by 12.21% year-on-year and 65.08% year-on-year in 2007 and in the first nine months of 2008 respectively. The rise was due to GFPT's increase in export volume of chicken meat which brought about an increase in MKS's selling volume and average selling price in response to the increase in cost of sales.

(5.2) Cost and Selling & Administrative Expenses

MKS's cost of sales increased by 10.55% year-on-year and 57.37% year-on-year in 2007 and in the first nine months of 2008 respectively which was corresponding to the elevated day-old-chicks raising volume and chicken feed mill.

Selling and administrative expenses rose by 131.08% year-on-year and 60.43% year-on-year in 2007 and in the first nine months of 2008 respectively. MKS' selling and administrative expenses increased due to the increase in freight and transportation expenses. In 2007, MKS purchased trucks in order to pick up the commercial day-old-chicks from FKT and to transport the matured broilers to GFPT for evisceration. The mentioned expenses increased in response to MKS's production and sales volume.

(5.3) Net Income

MKS's performance improved from net loss of Baht 2.54 million in 2006 to net profit of Baht 13.40 million in 2007 and improved from net loss in the first nine months of 2007 to net profit of Baht 118.18 million in the first nine months of 2008. The upward trend of net income was a consequence of the increase in selling price and selling volume although there was a rise in transportation expenses of commercial day-old-chicks and broilers.

(6) Processed Chicken Foods Business (GF Foods Co., Ltd - explicit business)

GFF engages in production and distribution of processed foods business. Its main products are sausage. GFF's total revenues after the deduction of inter-transaction among group accounted for 3.48% and 2.23% of consolidated total revenues in 2007 and in the first nine months of 2008 respectively.

(6.1) Revenue from Sales

GFF's revenue from sales has been in downward trend because the price of pork and chicken meat, which are the main raw materials, have gone up in line with raising cost. However, GFF has raised its selling price but cannot increase to the level in proportion to the increasing cost due to the fierce price competition. Revenue from sales declined by 3.48% in 2007 year-on-year because GFF decreased its price to compete with other competitors and declined by 44.34 in the first nine months of 2008 year-on-year because GFF reduced production volume and sales volume of some high production cost items.

(6.2) Cost and Selling & Administrative Expenses

Although cost of sales rose by 4.68% year-on-year in 2007, revenue from sales fell. This is because of an increase in pork and chicken meat price which resulted in higher proportion of cost of sales to revenue from sales from 90.81% in 2006 to 98.48% in 2007. For the first nine months of 2008, cost of sales declined by 43.71% year-on-year in line with a decrease in sales volume. Nonetheless, the proportion of cost of sales to revenue from sales for the first nine months of 2008 was 99.17% as pork and chicken meat price remained in upward trend.

GFF's selling and administrative expenses rose by 24.21% in 2007 year-on-year due to Baht 3.03 million of bad debt expenses and rose by 20.72% in the first nine months of 2008 due to an increase of Baht 4.47 million in Transportation Department expenses.

(6.3) Net Income

GFF had net loss of Baht 11.38 million in 2007 and Baht 14.55 million in the first nine months of 2008 because sales volume dropped dramatically whereas raw materials price rose. Moreover, part of the cost was fixed cost which did not vary along with the decreasing sales volume. In addition, plant expenses were higher because of machinery maintenance expenses.

1.6.2.3. Analysis of the Financial Results (Consolidated Financial Statement)

(1) Assets

The Company's total assets as at December 31, 2007 was Baht 6,250.54 million, an increase of 20.13% year-on-year, and as at September 30, 2008 was Baht 7,254.01 million, an increased of 16.05% from December 31, 2007. The details of each type of assets are as follows;

(1.1) Current Assets

The important current assets are cash and cash equivalent items, accounts and notes receivable, and inventories.

- Cash and cash equivalent items

Cash and cash equivalent items of the Company were Baht 126.56 million as at December 31, 2006, Baht 100.83 million as at December 31, 2007, and Baht 142.77 million as at September 30, 2008. Most of them were current account and saving account as working capital for business operation.

- Accounts and Notes Receivable

Net accounts and notes receivable has shown a yearly upward trend along with the expansion of revenue from sales. It was Baht 321.49 million as at December 31, 2006 which increased to Baht 436.40 million as at December 31, 2007 and Baht 591.15 million as at September 30, 2008. Seventy five percent of net accounts and notes receivable were local accounts receivable. Average collection period of 19.93 days in 2006, 20.47 days in 2007 and 20.34 days in the first nine months of 2008 illustrated the Company's good standard of collection ability.

- Inventories

Inventories of the Company continually grew. It stood at Baht 1,428.26 million as at December 31, 2007, an increase of Baht 335.07 million or 30.65% from December 31, 2006, because price of raw materials was rising caused by a continual rise in cost of feed mill. As at September 30, 2008, inventories was Baht 1,948.97 million, a rise of 36.45% from December 31, 2007, due to the growth of finished goods of feed mill and processed chicken products, raw materials, work in process, and rearing chickens.

Average inventory turnover of the Company was 5.18 days in 2006, 5.21 days in 2007 and 5.81 days in the first nine months of 2008. Even though the proportion of inventories to current assets of the Company was high, average inventory turnover was relatively short owing to the effectiveness of inventory management.

(1.2) Non-Current Assets

Majority of the Company's non-current assets are property, plant and equipments which accounted for 82.05% and 82.20% of its non-current assets as at December 31, 2007 and September 30, 2008 respectively. Property, plant and equipments continually increased from Baht 2,927.36 million as at December 31, 2006 to Baht 3,461.78 million as at December 31, 2007 and finally to Baht 3,709.41 million as at September 30, 2008. This is because the new feed mill plant at Banbueng district in Cholburi province is under construction in order to support maximum capacity expansion of 512,000 tons per year. The plant is expected to be in operation within January 2009.

(2) Liabilities

Total liabilities of the Company continually increased in accordance with the business expansion. It was Baht 2,650.50 million as at December 31, 2006, Baht 3,453.05 million as at December 31, 2007, and Baht 3,789.12 million as at September 30, 2008. Approximately 90% of the total liabilities are current liabilities which mainly comprised bank overdrafts and short-term loans from financial institutions, accounted for 43.04% and 48.24% of the current liabilities as at December 31, 2007 and September 30, 2008 respectively. The short-term loans from directors and related persons, accounted for 39.43% and 32.52% of the current liabilities as at December 31, 2007 and September 30, 2008 respectively.

- Bank overdrafts and short-term loans from financial institutions

The Company's bank overdrafts and short-term loans from financial institutions stood at Baht 771.19 million as at December 31, 2006, then increased to Baht 1,351.43 million as at December 31, 2007, and to Baht 1,707.32 million as at September 30, 2008. Most of them were promissory notes with annual interest rate between 2.00 - 4.875% per annum and with period between 15 - 180 days.

- Short-term loans from directors and related persons

The Company's short-term loans from directors and related persons was Baht 1,127.70 million as at December 31, 2006, Baht 1,238.00 million as at December 31, 2007, and Baht 1,151.10 million as at September 30, 2008. This non-collateralized loan was in the form of promissory notes on call basis with annual interest rate of 6.00%.

Although the Company's total liabilities was high, capability of debt repayment was still high considering the times interest earned ratio of 8.54 times in 2006, 4.59 times in 2007, and 10.35 times in

the first nine months of 2008. However, the Company has exposed to possible inability to repay the short - term loan since the majority of the company's liabilities were current liabilities while most of its investments were in the non-current assets. Current ratio was 0.65 times as at December 31, 2006, 0.65 times as at December 31, 2007, and 0.77 times as at September 30, 2008 whereas quick ratio, which evaluates the capability of short-term debt repayment by quickly converting the current assets into cash, was 0.20 times as at December 31, 2006, 0.18 times as at December 31, 2007, and 0.21 times as at September 30, 2008.

(3) Shareholders' equity

Shareholders' equity of the Company was Baht 2,552.86 million as at December 31, 2006, Baht 2,797.48 million as at December 31, 2007, and Baht 3,464.89 million as at September 30, 2008. The continual rise was due to the yearly increase in net income booked as legal reserve under appropriated retained earning, and also unappropriated retained earning.

1.6.2.4. Liquidity

In 2007, cash flow from operating activities of the company was Baht 381.78 million , a decrease of 39.13% from 2006 because of an increase in inventory according to a rise in raw material price. In the first nine months of 2008, cash flow from operation activities was Baht 661.10 million which increased by 38.98% from the first nine months of 2007. Although cash spent for inventories increased according to a rise in raw materials price, the Company's product price adjustment which reflects the rising cost of sales resulted in steep increase of net income. Consequently, cash flow from operating activities of the Company in the first nine months of 2008 increased year on year.

In the past few years, the Company has had a lot of investment activities, so cash flow from investing activities was Baht 1,125.68 million which increased by 64.80% from 2006 because during that period the Company was increasing its production capacity including grandparent chicks' farm, feed mill plant, processed chicken plant, and new parent stocks. In the first nine months of 2008, cash flow from investing activities of the Company was Baht 632.20 million which decreased by 31.80% year-on-year. Although there was less investment in property, plant and building in 2007 than in 2006, it had to invest in parent stocks constantly.

In 2007, the Company's cash flow from financing was Baht 718.17 million which increased by 630.05% from 2006. Since the Company required a lot of cash to invest but its cash flow from operating

activities was not sufficient and the Company also had an obligation to pay long-term loan interest and dividend, it had to borrow from financial institutions, and directors and related persons for capacity expansion. In the first nine months of 2008, the Company's cash flow from financing activities was Baht 13.03 million which decreased by 96.93% year-on-year. Now that the Company had enough cash flow from operating activities during such period to support investment, only small additional amount of short-term loan from financial institutions was required for business operation.

## 2. Nature and Details of the Connected Transaction

### 2.1. Date, Month, Year to Enter into the Transaction

After the Company receives a resolution from the extraordinary shareholders' meeting no. 1/2009 on January 29, 2009 approving this connected transaction, the Company will gradually borrow from the directors and connected persons to repay the existing short-term loan from the directors and connected persons, which is now totaling to Baht 1,151.10 million in the financial statement ended September 30, 2008. This existing short-term loan will be due within 2009.

The remaining loan amount will be for investment in GFN according to the investment plan jointly agreed with Nichirei, and for expansion of the Company's and its subsidiaries' capacity. The Company will gradually drawdown the loan from the directors and connected persons whenever the proceeds for the planned investment is in shortage or whenever the liquidity is required for operation. The loan will be no longer than 5 years (from February 1, 2009 to January 31, 2014) in accordance with the approval by the shareholders.

### 2.2. Type and Size of the Transaction

The loan from the directors and connected persons is classified as a connected transaction for receipt of financial assistance according to the Notification of Capital Market Supervisory Board Tor Jor 21/2551 concerning Regulations for a Connected Transaction.

The value of transaction when calculated according to the guideline for calculation of receipt of financial assistance, which takes into account the interest and/or benefits which the listed company or its subsidiaries will pay to the connected persons, is Baht 600 million. The calculation in detail is shown as follows;

Value of Transaction = Maximum Loan Amount x Maximum Interest Rate x Maximum Lending Period
= Baht 2,000,000,000 x 6% per annum x 5 years
= Baht 600 million

Size of the transaction is 17.72% when calculated by comparing the value of transaction and the Company's net tangible assets, now worth Baht 3,386.34 million as at September 30, 2008. The calculation in detail is shown as follows;

Size of Transaction = Value of Transaction/Net Tangible Assets
= Baht 600,000,000/Baht 3,386,344,064.01
= 17.72%

The calculation above reveals that the value of transaction is greater than Baht 20 million and larger than 3% of the net tangible assets. In accordance with the Notification of Capital Market Supervisory Board Tor Jor 21/2551 concerning Regulations for Connected Transactions, the transaction of this size requires the Company to arrange the shareholders' meeting to approve it. And the voting in favor must be at least three fourth of the total attending shareholders who are eligible to vote, excluding the shareholders who are connected parties.

### 2.3. Explanation of the Nature of the Connected Transaction

| | | |
|---|---|---|
| Type of Connected Transaction | : | Receipt of Financial Assistance |
| Loan Amount | : | No more than Baht 2,000 million including the existing short-term borrowing from the directors and connected persons |
| Interest Rate | : | No higher than 6.00% per annum |
| Maturity | : | No more than 5 years starting from February 1, 2009 until January 31, 2014 |
| Interest Payment | : | Monthly |
| Security | : | None |
| Drawdown | : | The Company or its subsidiaries may borrow from the directors or connected persons in one time or several times throughout the "Maturity" but the total outstanding borrowing at any point in time must not exceed the sum indicated in the "Loan Amount". The period of borrowing for each borrowing must also be in accordance with the "Maturity". |

| | | |
|---|---|---|
| Repayment of Principle | : | Within January 31, 2014. The Company and/or its subsidiaries may repay the principle in whole or in part before maturity without incurring any prepayment penalty or expenses. |
| Conditions for Default | : | The Company and/or its subsidiaries agree to pay a default interest rate of 15.00% per annum starting from the date the default occurs. |
| Nature of Contract | : | The Company and/or its subsidiaries will enter into an agreement with each of the directors and connected persons every time it borrows money by using a loan agreement that has the same conditions. |

Remark: * The directors and connected persons are not allowed to call for prepayment before the Maturity.

### 2.4. Total Value of Considerations and Terms of Repayment

For this loan from the directors and connected persons, the value the Company and/or its subsidiaries have to pay to the directors and connected persons (the "Lender") is the value of monthly interest paid which is calculated by multiplying the agreed interest rate of no higher than 6.00% per annum with the principle the Company and/or its subsidiaries borrow and the number of years the Company and/or its subsidiaries will borrow. With assumptions that the Company and/or its subsidiaries borrow from the Lender in full amount of Baht 2,000 million as approved by the shareholders for the interest rate of 6.00% per annum for 5 years (from February 1, 2009 to January 31, 2014) without incurring any default interest rate of 15.00%, the total interest to be paid to the Lender will be Baht 600 million.

### 2.5. Name of the Connected Persons and Their Relationship

| | | |
|---|---|---|
| Name of the Receiver of the Financial Assistance | : | GFPT Public Company Limited and its subsidiaries of which names are as follows;<br>1. Krungthai Feedmill Co., Ltd.<br>2. MKS Farm Co., Ltd.<br>3. Krungthai Farm Co., Ltd.<br>4. GP Breeding Co., Ltd.<br>5. GF Foods Co,, Ltd. |
| Name of the Offeror of the Financial Assistance | : | Directors and Connected Persons whose names are as follows; |

| | Name-Surname | Position in the Company | Relationship | % Shareholding* |
|---|---|---|---|---|
| 1) | Mr.Prasit Sirimongkolkasem | Chairman | - | 17.55 |
| 2) | Mr.Virach Sirimongkolkasem | Managing Director | - | 14.36 |
| 3) | Dr.Anan Sirimongkolkasem | Chairman of Executive Board | - | 0.33 |
| 4) | Mrs.Somsiri Ingpochai | Executive Director | - | 0.24 |
| 5) | Mrs.Pranee Parksook | Executive Director | - | 1.02 |
| 6) | Ms.Wannee Sirimongkolkasem | Director | - | 0.89 |
| 7) | Mr.Sujin Sirimongkolkasem | Director | - | 17.77 |
| 8) | Mrs.Wanlee Sirimongkolkasem | - | Mother of Mr.Sujin Sirimongkolkasem | - |
| 9) | Mrs.Sumon Sirimongkolkasem | - | Sister-in-law of Mr.Prasit Sirimongkolkasem | - |
| 10) | Mr.Preecha Sirimongkolkasem | - | Brother of Mr.Prasit Sirimongkolkasem | - |
| 11) | Mrs.Suwanna Sirimongkolkasem | - | Wife of Mr.Prasit Sirimongkolkasem | - |
| 12) | Ms.Nisa Sirimongkolkasem | - | Daughter of Mr.Prasit Sirimongkolkasem | 0.85 |
| 13) | Mr.Kajorn Sirimongkolkasem | - | Son of Mr.Prasit Sirimongkolkasem | - |
| 14) | Ms.Vipavadee Sirimongkolkasem | - | Daughter of Mr.Prasit Sirimongkolkasem | - |
| 15) | Mr.Jessada Sirimongkolkasem | Assistant Managing Director | Son of Mr.Prasit Sirimongkolkasem | - |
| 16) | Mr. Kittichai Sirimongkolkasem | Plant Director | Son of Mr.Prasit Sirimongkolkasem | - |
| 17) | Mrs.Nattaya Sirimongkolkasem | - | Wife of Mr.Virach Sirimongkolkasem | - |

| | | | |
|---|---|---|---|
| 18) Ms.Vivalya Sirimongkolkasem | Senior Department Manger Krungthai Feedmill PCL | Daughter of Mr.Virach Sirimongkolkasem | 1.60 |
| 19) Ms.Papinya Sirimongkolkasem | Technical Manager Krungthai Feedmill PCL | Daughter of Mr.Virach Sirimongkolkasem | 1.57 |
| 20) Ms.Varisra Sirimongkolkasem | - | Daughter of Mr.Virach Sirimongkolkasem | 1.60 |
| 21) Mr.Wongsakorn Sirimongkolkasem | - | Son of Mr.Virach Sirimongkolkasem | - |
| 22) Mrs.Ruedee Sirimongkolkasem | - | Wife of Dr.Anan Sirimongkolkasem | - |
| 23) Ms.Pimrak Sirimongkolkasem | - | Daughter of Dr.Anan Sirimongkolkasem | - |
| 24) Mr.Napon Sirimongkolkasem | - | Son of Dr.Anan Sirimongkolkasem | - |
| 25) Ms.Jutamas Ingpochai | Investor Relation Manager | Daughter of Mrs.Somsiri Ingpochai | 0.40 |
| 26) Mr.Phongsathorn Ingpochai | - | Son of Mrs.Somsiri Ingpochai | 0.20 |
| 27) Mr.Win Parksook | - | Son of Mrs.Pranee Parksook | - |
| 28) Mr.Woraphat Parksook | - | Son of Mrs.Pranee Parksook | - |
| 29) Mrs.Chollada Sirimongkolkasem | - | Sister of Mr.Sujin Sirimongkolkasem | - |
| 30) Mr.Pissanu Sirimongkolkasem | Assistant Manager, Sales and Customer Relation Department | Brother of Mr.Sujin Sirimongkolkasem | - |
| 31) Mr.Jarongkij Sirimongkolkasem | - | Brother of Mr.Sujin Sirimongkolkasem | - |
| 32) Mr.Jarongkorn Sirimongkolkasem | - | Brother of Mr.Sujin Sirimongkolkasem | - |

Remark: * Percent shareholding as at April 9, 2008, when the shares registeration book was last closed.

For the agenda for considering receipt of the financial assistance from the directors and connected persons during the Board of Directors' meeting no. 12/2551 on December 15, 2008, there were 7

directors who were connected persons for the transaction namely 1) Mr.Prasit Sirimongkolkasem 2) Mr.Virach Sirimongkolkasem 3) Dr.Anan Sirimongkolkasem 4) Mrs.Somsiri Ingpochai 5) Mrs.Pranee Parksook 6) Ms.Wannee Sirimongkolkasem 7) Mr.Sujin Sirimongkolkasem. They, therefore, abstained in voting for this particular agenda.

## 3. Reasonableness of the Transaction

### 3.1. Objectives and Necessity of the Transaction

The Company has continuously invested in non-current assets such as new parent stocks to replace the old parent stocks which retire every year, and new building and machinery to increase capacity. At the same time, the Company has to repay the long-term loans from financial institutions which are due on annual basis causing the Company's liquidity to fall below sufficient level for investment and loan repayment. The Company, therefore, began borrowing on short-term 1 year basis from the directors and connected persons since 2005 for its operation. As at September 30, 2008, the total outstanding loan from the directors and connected persons was Baht 1,151.10 million which would be due gradually within 2009. The Company wishes to switch this short-term loan to long-term loan so that it conforms with the Company's investment time horizon and reduces risk of inability for repayment.

In addition, the Company requires funding for investment in the joint venture of which the contract it entered with Nichirei Foods Inc. ("Nichirei") on November 6, 2008. The joint venture company's objective is to produce and distribute processed chickens and frozen chicken meat to Japan and other countries. As agreed in the contract, the Company's plan for investment is as follows;

1) The Company and Nechirei have jointly incorporated GFPT Nichirei (Thailand) Co., Ltd. ("GFN") on November 27, 2008 to engage in evisceration and processing of chickens. GFN has an initial total registered capital of Baht 1.00 million, and 49.00% and 51.00% held by GFPT and Nichirei respectively. The Company expects to gradually increase capital of GFN to Baht 780 million by June 2009 for construction of chicken processing plant and further processing plant in Cholburi. This plant will have total capacity of 75,000 tons per year for slaughtering and processing and 18,000 tons per year for further processing. The Company and Nichirei have estimated the budget for the plant construction to be Baht 1,560 million funded by Baht 780 million of equity from both companies and the other Baht 780 million of long-term loan from external source.

2) The Company will increase investment in broiler farms by increasing capacity from 47 million broilers per year to 80 million broilers per year to accommodate demand from GFN. The Company

expects to invest approximately Baht 1,500 million to meet such a planned capacity. The construction of farms will be gradual to meet the gradual increase in demand from GFN. The funding will come from the Company's internal cash and loan from the directors and connected persons.

To ensure that the Company's financial structure conforms with the Company's long-term business operation and requirement for capital expenditure for the joint venture plan, the Company wishes to receive financial assistance from the directors and connected persons for the following uses;

1) To adjust the Company's financial structure to conform with the nature of its business operation and capital expenditure. Currently most of its liabilities are short-term while most of investment is for long-term assets. The Company will therefore gradually borrow to repay the existing short-term loan from the directors and connected persons worth Baht 1,151.10 million as at September 30, 2008 which is gradually due within 2009.
2) To invest in GFN according to the joint venture agreement with Nichirei. The Company will gradually pay in its portion of equity in GFN worth approximately Baht 381.71 million by June 2009. This payment will come from the Company's cash from operation and loan from the directors and connected persons being approved this time.
3) To finance the investment in new broiler farms for production and distribution of broilers to supply to GFN. The investment will be made between 2009 and 2010 by using cash from operation together with this loan from the directors and connected transaction.
4) To be working capital of the Company and its subsidiaries for its normal business operation.

The Company may consider other fund raising alternatives such as borrowing from banks or issuance and offering of debenture or issuance and offering of capital increase shares when the financial cost from other fund raising alternatives tend to be lower in the long run than that of the loan from directors and connected persons to replace the loan from directors and connected persons or to use for additional investment without further reliance on the loan from directors and connected persons. Moreover, the Company will also have to consider the money market and capital market situation at that moment and the feasibility for that particular fund raising alternative.

### 3.2. Advantages and Disadvantages of the Transaction

The receipt of financial assistance from the directors and connected persons will enable the Company to make investment and undergo restructuring its financial structure as planned. The transaction will cause the following impacts to the Company;

### 3.2.1. Advantages of the Transaction

(1) The Company can increase its sales and expand its customers base;

Japan market has been the continuous growth area for chicken consumption. However, the cost for imported processed chickens has been continuously burgeoning as well. Nicherei, therefore, looks to find a raw material supplier who is well-known and capable of full-fledged farming and production. The Japanese consumers are cautious of safety and quality of foods. A joint venture with Nechirei, which is ranked number one in market share for processed ready-to-eat chicken products in Japan, and renown and experienced for distribution and marketing, will increase the Company's sales of broilers and processed chicken products through Nichirei's overseas channels especially Japan.

The financial assistance from the directors and connected persons will enable the Company to invest in GFN as agreed with Nichirei and also invest in the Company's subsidiaries to increase production capacity for broilers to supply to GFN. After GFN is fully operational, it is expected to generate sales of Baht 6 billion per year.

(2) The Company can adjust its financial structure to conform with its nature of business and investment;

The Company has been financing part of its non-current assets such as parent stocks, and buildings and machinery by short-term loan. As at September 30, 2008, the Company has total non-current assets of Baht 4,512.83 million but long-term financing of Baht 3,714.83 million (comprising Baht 249.94 million of non-current liabilities and Baht 3,464.89 million of shareholders' equity). Therefore, Baht 798.00 million of short-term liabilities has been used to finance non-current assets causing the risk of default on short-term liabilities.

This loan from the directors and connected persons will switch part of the current liabilities, the existing short-term loan from the directors and connected persons, worth Baht 1,150.10 million which is gradually due within 2009 to long-term loan of which maturity is no longer than 5 years. Should the loan from the directors and connected persons be drawn by the Company and its subsidiaries at full amount, the Company will have long-term funding of Baht 5,714.83 million (comprising Baht 2249.94 million of non-current liabilities and Baht 3,464.89 million of shareholders' equity). As a result, the risk of default on short-term liabilities will be reduced.

### 3.2.2. Disadvantages of the Transaction

(1) The Company's debt to equity will increase

As at September 30, 2008, the Company's total liabilities is Baht 3,789.12 million, Baht 1,151.10 million of which is short-term loan from the directors and connected persons. The debt to equity ratio is 1.09. Should the loan from the directors and connected persons be drawn by the Company and its subsidiaries at full amount of Baht 2,000 million and be used for repayment of existing short-term loan from the directors and connected persons and for investment, based on the financial information as at September 30, 2008, the total liabilities will rise to Baht 4,638.02 million and debt to equity ratio will be 1.34.

(2) The Company may be legally pursued for default on loan

Should the Company be not able to repay the loan, it may be legally pursued and demanded for payment of default interest at the rate of 15.00% per annum accrued from the date the default occurs. The mentioned legal proceeding may cause damage to the Company's image in the creditors', shareholders', and general investors' perspective and may incur 15.00% per annum interest payment.

## 3.3. Comparison of the Advantages and Disadvantages for Entering into the Transaction with the Connected Parties with Entering into the Transaction with External Parties

### 3.3.1. Advantages and Disadvantages of Entering into the Transaction with the Connected Parties

The Company's decision to accept financial assistance from the directors and connected persons instead of raising fund via other alternatives such as borrowing from financial institutions, issuance and offering of debenture, and issuance and offering of capital increase shares will have the following impacts on the Company;

3.3.1.1. Advantages of Entering into the Transaction with Connected Parties

(1) The Company will have flexibility in liquidity management

The loan agreement will indicate that the lenders have no right to call the loan before maturity but agree to accept any loan prepayment by the Company or its subsidiaries before maturity without any

prepayment penalty or fee whereby an advanced notice or written notice to the lenders. Therefore, the Company may repay part or whole of the loan to lessen its interest expense burden when it has excess cash from operation with no imminent investment plan. However, when the Company requires additional cash for investment, it may borrow from the lenders within the 5- year maturity of this program as long as the maximum amount has not been reached.

The Company will not be able to manage its liquidity to this extent. For example, loan from banks will demand a condition relating to prepayment fee for a certain percentage of the total loan or total amount to be prepaid. In addition, the Company has to collateralize its assets with the banks.

For issuance and offering of debenture, if a prepayment is allowed, the debenture will usually carry a higher coupon rate to reflect the right for prepayment causing the Company's financial costs to rise.

For capital increase, if the Company wishes to manage its liquidity, it may buy back treasury stock and cancel them to reduce its unnecessary equity. However, the treasury stock can be purchased only when the Company meets certain criteria and performs certain procedures required by the Ministry of Commerce's Ministerial Regulations relating to the Repurchase of Shares, Disposition of the Repurchased Shares, and Cancellation of the Repurchased Shares, and the Notification of the Board of Governors of the Stock Exchange of Thailand relating to the Disclosure of Information and Other Acts in the case that a Listed Company Repurchases Its Own Shares and Dispose Such Repurchased Shares. Moreover, the capital market environment will have to be favorable for such liquidity management.

(2) The Company will have flexibility for adjustment of investment plan and drawdown of fund to match fund requirement

The Company can gradually drawdown the loan from the directors and connected persons to match the investment plan, whereby loan is drawn only when investment is to be made and the drawdown amount can be increased when there is need to increase the investment. The investment can also be adjusted to match particular situation, whereby the Company may either delay or expedite the investment. The fact that the Company can choose to draw the loan only for the amount required will help reduce the interest expense incurred from any excessive drawdown.

For other fund raising alternatives such as loan from banks, issuance and offering of debenture, and issuance and offering of capital increase shares, the Company has to indicate the amount to be raised

at the maximum required for uses. This is because each alternative has complicate procedure, consumes considerable time, and incurs substantial expenses especially the debenture and capital increase. Therefore, gradual or multiple fund raising is not suitable with the planned investment. Moreover, the excess proceeds from fund raising or delay of investment or excess cash from operation which cannot be repaid will cause additional interest expense, fund raising expense, and dividend.

3.3.1.2. Disadvantages of Entering into the Transaction with Connected Parties

(1) The Company has a risk of reliance on a main creditor

Should the Company or its subsidiaries borrow from the directors and connected persons at full amount of Baht 2,000 million and adjust the financial structure as planned, the calculation based on the financial statement as at September 30, 2008 reveals that the Company will have total liabilities of Baht 4,638.02 million. Baht 2,000 million of the loan from the directors and connected persons or 43.12% of the total liabilities after this connected transaction is a substantial reliance on one group of creditors

However, the Company has borrowed from the directors and connected persons. As at September 30, 2008, the Company has an outstanding loan from the directors and connected persons of Baht 1,151.10 million. The total loan from the directors and connected persons after the transaction approved this time will increase by Baht 848.90 million, whereby the first Baht 1,151.10 million is for the adjustment of loan from the directors and connected persons from short-term to long-term.

Lastly, the Company has borrowed short-term loan from financial institutions worth Baht 1,707.32 million in total or 36.81% of the total liabilities when assuming the loan from this connected transaction is fully drawn.

(2) The Company has a risk of not being able to drawdown the loan from the directors and connected persons at full amount, which will partially lessen the reliance on the main creditor.

The Company and its subsidiaries have agreed to accept the financial assistance in form of loan from the directors and connected persons worth Baht 2,000 million. However, the Company and its subsidiaries have not entered into any agreement or memorandum of understanding with the directors and connected persons which indicates that the directors and connected persons have obligation to lend at the full amount. An agreement will be entered into every time the Company or its subsidiaries borrow the money. The agreement for every borrowing will carry uniform conditions including interest

rate and maturity date but except the loan amount to be drawn. No agreement is entered into for the amount not yet drawn, so the Company has a risk of not being able to draw this amount when needed.

Nevertheless, the Company may consider other funding sources because the loan from the directors and connected persons this time does not have any restriction for the Company to borrow from financial institutions or issue debentures or capital increased shares.

**3.3.2. Advantages and Disadvantages of Entering into the Transaction with External Parties through Borrowing from Financial Institutions**

As an alternative to acceptance of financial assistance from the directors and connected persons, the Company may borrow from the financial institutions which will have the following impacts on the Company;

3.3.2.1. Advantages of Borrowing from Financial Institutions

(1) The Company has opportunity to establish relationship with banks for future borrowing

Should the Company borrow from the banks consistently, the banks will be able to continuously monitor the Company's performance and repayment record. This will enable the banks to consider the Company's loan application more quickly because they require little time studying the Company's information. Otherwise, borrowing from the banks that the Company has never had any relationship with will help create favorable relationship for future borrowing.

(2) Bank borrowing will lessen the reliance on the main creditor

The Company's financial structure as at September 30, 2008 indicates that it had the short-term loan from the directors and connected persons worth Baht 3,789.12 million or 30.38% of the total liabilities. This suggests that the Company heavily relies on the directors and connected persons. Should the Company borrow from the banks, it will lessen the reliance on the directors and connected persons.

(3) The Company will be secured of sufficient fund for the planned investment

Should the Company raise fund by borrowing from the banks, it will have to present its investment plan in the loan application. The requested loan will be for all stages of investment. Once the loan is

approved and a loan agreement is entered into, the Company will be secured of sufficient fund for the planned investment in spite of conditions precedent to each drawdown.

Nevertheless, the banks may consider to approve a loan only for the amount required for the present stage and may not approve the amount for the expansive stage which will require the Company's resubmission of the loan application. The Company may also face the risk of not having sufficient fund for the planned investment in this case.

3.3.2.2. Disadvantages of borrowing from financial institutions

(1) Borrowing from financial institutions requires collateral

The Company has to have collateral for the case of borrowing from the banks. In general, the collateral is the assets the Company will invest in such as land and buildings, and machinery for operation. In case that the Company invests the money in acquiring capital increase shares of its subsidiaries, the banks may not accept the shares as collateral. Therefore, the Company will have to find other assets for the collateralization. In case that the borrowers are the subsidiaries of which uses are for working capital, the banks may demand for the subsidiaries' assets or the Company's assets as collateral or demand a corporate guarantee from the Company.

The loan from the directors and connected persons does not require any collateral, so there is no burden of provision of collateral and corporate guarantee to the banks.

(2) Borrowing from financial institutions incurs expenses and possible prepayment fee

In case of borrowing from the banks, the borrower will bear any expense incurred from the borrowing including registration fee, stamp and duty for the registration of collateral to secure the loan, and front-end fee. Should the borrower wish to repay before maturity, a prepayment penalty will be charged based on the total amount of approved loan or the amount to be prepaid.

Hence, the loan from directors and connected persons, which does not have any fee for the loan nor prepayment fee nor fee for registration of collateral to secure the loan, will reduce the Company's fund raising expenses.

(3) One of the Company's uses of fund is to repay the loan from the directors and connected persons causing the banks to be less likely to grant the loan

As at September 30, 2008, the company has a short-term loan from the directors and connected persons of Baht 1,151.10 million which will be gradually due within 2009. The Company will have to repay this amount but the banks may not approve loan for such purpose because the banks may not be willing to replace the directors and connected persons in taking risk from lending to the Company. The banks will be more confident with the Company's long-term business operation if the loan from the directors and connected persons still remain with the Company.

(4) Borrowing from financial institutions for large amount will be time consuming as syndication for lending may be required

Should the Company request a bank for Baht 2,000 million, the bank may have to arrange a syndication with other banks causing the Company to contact and negotiate with several banks. The amount of time required for approval and relevant expenses will also increase.

**3.3.3. Advantages and Disadvantages of Entering into the Transaction with External Parties through Issuance and Offering of Debenture**

3.3.3.1. Advantages of Issuance and Offering of Debenture

(1) Issuance and offering of debenture can lessen the reliance on the main creditor

Issuance and offering of debenture is a borrowing from a number of investors especially through public offering. Therefore, the issuance and offering of debenture can also lessen the reliance of the main creditor.

(2) The Company will be secured of sufficient fund for the planned investment

The Company can raise fund of large amount through a one-time issuance and offering of debenture making it possible for the Company to issue the debenture for the amount equal to the total amount required for the planned investment. The Company will then be secured of sufficient fund for the future investment but there will be interest expense incurred from the fund not yet utilized. Nevertheless,

separating the issuance of debenture into several offerings to avoid this interest expense will incur additional offering expenses and also different conditions for the debenture.

3.3.3.2. Disadvantages of Issuance and Offering of Debenture

(1) Issuance and offering of debenture incurs considerable offering expenses

Apart from the interest expense, the issuance and offering of debenture has other expenses such as selling agent or underwriting fee which is proportional to the total offering amount, and the legal counsel fee for preparation of agreement and relevant covenants. Moreover, there may be other relevant expenses such as credit rating fee, offering application and filing fee, financial advisory fee, trustee fee, custodian fee, and etc. The offering will incur some or all of these fees depending on the nature of the offering, distribution of the debenture, and conditions indicated by the investors. Some of these expenses are recurring on annual basis, for example, the credit rating fee, trustee fee, and custodian fee.

The loan from the directors and connected persons will not incur the above mentioned fees, so the fund raising expenses can be reduced.

(2) Issuance and offering of debenture is suitable for one-time large fund raising which does not conform with the Company's investment plan

Since there are a number of expenses relating to the offering of the debenture. Some of the expenses are incurred when the offering takes place such as the credit rating fee, offering application fee, and financial advisory fee. These expenses will definitely increase if the Company issues the debentures several times. Therefore, the Company should issue the debenture only once for the maximum required amount.

Now that both the Company's plan to repay the short-term loan to be due soon and investment within the Company and its subsidiaries are gradual, a one-time fund raising of large amount might not be of maximum benefit for the Company because it has to bear the burden of interest expense and other expenses from the unutilized fund.

(3) The Company will bear higher financial cost for prepayment condition of the debenture

Debenture which allows prepayment will have to offer higher yield to the bondholders because they risk receiving lower return from investment than expected when the prepayment occurs.

For the loan from the directors and connected persons, the Company can prepay without incurring any penalty or other expenses. This flexible condition is indeed a benefit to the Company for management of liquidity.

(4) The prevailing market condition may be unfavorable for issuance and offering of debenture

Issuance and offering of debenture is a fund raising from a number of investors. The coupon rate and conditions of the debenture, therefore, must reflect the prevailing market condition. Until now the global economic and financial crisis together with domestic political chaos and instability have continuously had tremendous impact on the money and capital market. Market liquidity and expected rate of return have been very volatile causing several different debentures, which are similar in nature but offered at slightly different timing, may carry significantly different coupon rate. Moreover, the credit rating agency like Standard and Poors (S&P) has revised its outlook for Thailand's credit rating from "Stable" to "Negative" causing a credit rating for debenture to be adversely affected and may be so affected to the level that the credit rating is below an investment grade. The above mentioned market condition could make it impossible to raise fund successfully no matter how much the coupon rate is raised to compensate for the increased risk.

**3.3.4. Advantages and Disadvantages of Entering into the Transaction with External Parties through Issuance and Offering of Capital Increase Shares**

3.3.4.1. Advantages of issuance and offering of capital increase shares

(1) The Company will not have burden of interest expense

Issuance and offering capital increased shares will not incur any interest expense but incur expenses relating to offering of the capital increased shares.

However, dividend to be paid to the shareholders is also considered financial cost for the capital increase. In the early stage when the investment has not generated substantial return, dividend payable to the shareholders will be shared by the new shareholders who subscribe to the capital increase. The existing shareholders will, therefore, be affected by the capital increase.

(2) Issuance and offering of capital increased shares helps reduce debt to equity ratio

The issuance and offering of capital increased shares will raise shareholders' equity causing the debt to equity ratio to drop and, as a result, increase the capability of borrowing.

However, although the loan from the directors and connected persons will cause the debt to equity ration to rise but not to the level where it affects the Company's operation nor breaches any covenants with the financial institutions who currently lend to the Company.

(3) Issuance and offering of capital increased shares helps reduce reliance on the main creditor

The Company can lessen the reliance on the main creditor by issuing and offering capital increased shares to the existing shareholders or general public.

(4) The Company will be secured of sufficient fund for the planned investment

The Company can raise fund of large amount through a one-time issuance and offering of capital increase shares like in the case of issuance and offering of debenture. Should the Company successfully issue the capital increase shares for the amount equal to the total amount required for the planned investment, the Company will then be secured of sufficient fund for the future investment. Nevertheless, the existing shareholders will suffer dilution effect because there is certain amount of fund raised but not yet utilized. On contrary, should the Company separate its issuance of new shares into several offerings, there will be uncertainty for the price of each offering which may rise or fall causing the change in magnitude of dilution effect.

3.3.4.2. Disadvantages of issuance and offering of capital increase shares

(1) Issuance and offering of capital increase shares will cause dilution effect to the existing shareholders

Issuance and offering of capital increase shares will cause several impacts to the existing shareholders such as price dilution, EPS dilution, and control dilution. These impacts will be greater when the capital increase shares are offered to the general public as opposed to the existing shareholders. In the case that all the capital increase shares offering is made to the existing shareholders, the subscribing shareholders will not suffer control dilution but have a burden of paying

for the new shares and still have to endure price dilution, and EPS dilution for the early stage when the investment has not generated any return.

The financial assistance from the directors and connected persons will not cause any dilution effect nor burden of shares subscription to the existing shareholders.

(2) Issuance and offering of capital increase shares is suitable for one-time large fund raising which does not conform with the Company's investment plan

Issuance and offering of capital increase shares is suitable for one-time large fund raising like the issuance of debenture because the offering incurs considerable expenses and involves time consuming procedures. While the Company's uses of fund are gradual, one-time fund raising may not be of maximum benefit to the shareholders because of the potentially high dilution effect from the unutilized fund.

(3) The prevailing market condition may be unfavorable for issuance and offering of capital increased shares

Issuance and offering of capital increase shares requires favorable market environment like the issuance and offering of debenture. It also requires consideration of factors, which are now unfavorable, relating to the investors' decision. The prevailing depressed market condition might not be conducive for issuance and offering of capital increase shares at a high price causing severe dilution effect, a negative impact to the existing shareholders. Moreover, the Company's objective is to use part of the fund raised to repay the existing short-term loan from the directors and connected persons which is gradually due within 2009. As a result, the investors, from both the existing shareholders and general public domain, may feel insured in the subscription to the capital increase to the point where the Company cannot raise the amount it expects. It can also be negative to the Company's image and cause difficulties in the future issuance of shares.

## 4. Reasonableness of the Price and Term of the Transaction

### 4.1. Reasonableness of the Price

Since this transaction is a borrowing, the Financial Advisor therefore considers the reasonableness of the price by comparing the financial costs incurred in the borrowing from the directors and connected

persons against other borrowing alternatives such as 1) borrowing from financial institutions 2) issuance and offering of debenture.

4.1.1. Comparison between Borrowing from Financial Institutions and the Connected Transaction

The financial costs incurred in borrowing from financial institutions are as follows;

(1) Interest cost

In general, banks indicate interest rate in the loan agreement based on a floating reference rate and premium or discount thereof. The magnitude of premium or discount will depend on the type of loan and risk or repayment capability of the borrower. The interest rate in the loan agreement will be indicated as follows;

Loan Interest Rate = Reference Interest Rate ± Premium/Discount

(2) Expenses relating to borrowing from financial institutions

Apart from interest cost, the borrowing will have to pay fees and expenses to the banks and relevant parties including mainly the following;

- Registration fee and stamp duty for pledge of collateral: The borrowers have to pay this registration fee to the land department when it pledges land and buildings as collateral. The registration fee to the land department is 1.00% of the pledge value but not exceeding Baht 200,000.
- Front-end fee: Banks usually demand loan arrangement fee from the borrowers when the borrowers are to draw the loan. The fee is based on the approved amount of loan. It may be indicated as a fixed amount or a certain percentage of the approved loan amount.
- Prepayment penalty: Most financial institutions demand prepayment penalty from the borrowers as a certain percentage of the approved loan amount or the principle amount to be prepaid. The fee depends on the timing of prepayment and the banks' policy which is different from one bank to another. For the loan agreement the Company and its subsidiaries have entered into in the past, the prepayment penalty ranges from 1.00% to 2.00% of the principle amount to be repaid.

Table comparing financial cost of borrowing from financial institutions and the connected transaction

| | Connected Transaction | Borrowing from Financial Institutions |
|---|---|---|

| | | |
|---|---|---|
| Interest Rate | - Fixed Interest Rate<br>- No more than 6.00% per annum | - Floating Rate<br>- 6.75 – 7.00% [1] ± premium/discount |
| Default Interest Rate | - 15.00% per annum | - 15.00 -28.00% per annum [2] |
| Pledge Registration Fee and Stamp Duty | - None because no requirement for collateral | - To be paid as per the rate indicated by the land department |
| Front-end Fee | - None | - To be paid as per demand by the banks |
| Prepayment Penalty | - None | - To be paid as per demand by the banks |

Remark: 1 The indicated reference interest rates are Minimum Lending Rate (MLR) of the 5 largest banks as at December 15, 2008 (source: www.bot.or.th)

2 Default interest rate of the 5 largest banks as at December 15, 2008 (source: www.bot.or.th)

From the above table, should the Company borrow from financial institutions at a discount of more than 0.75-1.00% per annum from the reference interest rate (MLR-1.00% to MLR-0.75%) or the financial institutions reduce their reference interest rates to perfectly reflect the 1% reduction of 1-day treasury bill repurchase rate by the Monetary Policy Committee, the cost of borrowing from the financial institutions may be lower than 6.00% per annum, the interest rate which the directors and connected persons will lend to the Company. However, the loan from the directors and connected persons incurs only the interest payment and no other expenses or fees relating to the loan. In addition, the interest rate will be a fixed one, therefore, there will be no volatility of interest rate for the loan the Company has entered into an agreement.

4.1.2. Comparison between Issuance and offering of Debenture with the Connected Transaction

The Financial Advisor has compared the debentures issued and offered by listed companies of similar business in 2008 having maturity of 5 years, namely Charoen Pokphand Foods PLC ('CPF") and Thai Union Frozen Products PLC ("TUF").

Table comparing terms and conditions of the mentioned debentures is as follows;

| | CPF | TUF |
|---|---|---|

| | | |
|---|---|---|
| Name of Debenture | - Debenture of Charoen Pokphand Foods PLC no. 1/2551, series 2 ,matured in B.E. 2556 | - Debenture of Thai Union Frozen Products no. 1/2551, series 2, matured in B.E. 2556 |
| Type | - Non-bearer, unsubordinated, unsecured, and no trustee | - Non-bearer, unsubordinated, unsecured, and no trustee |
| Placement | - Offered to General Public and the Institutional Investors | - Offered to the Institutional Investors and/or High Net Worth Investors |
| Offering Amount | - Baht 3,000.00 million | - Baht 500.00 million |
| Maturity | - 5 years | - 5 years |
| Credit Rating/Credit Rating Agency | - Credit Rating A+ by TRIS Corporation Limited on June 24, 2008 | - Credit Rating A+ by TRIS Corporation Limited on October 8, 2008 |
| Coupon Rate | - Year 1-5 at a Fixed Rate of 5.70% per annum | - Year 1-5 at a Fixed Rate of 5.50% per annum |
| Subscription Period | - August 11, 2008 – August 14, 2008 | - November 10, 2008 – November 11, 2008 |
| Estimated Expenses for Offering of Debenture | - Baht 7,464,400 in total comprising;<br>* Fee for submission of filing to the SEC amounted to Baht 1,200,000.<br>* Fee for registration of debenture at the Thai Bond Market Association amounted to Baht 995,100.<br>* Other expenses amounted to Baht 7,464,400.<br><br>(Other expenses include fee for trustee, custodian, credit rating, legal counsel, printing cost of debenture certificate, printing cost of subscription form, printing cost of draft prospectus and final prospectus, and etc.)<br><br>The mentioned expenses for offering of debenture are for the offering of;<br>+ Debenture of Charoen Pokphand Foods | - Baht 1,700,000 in total comprising;<br>* Fee for submission of filing to the SEC amounted to Baht 400,000.<br>* Fee for registration of debenture at the Thai Bond Market Association amounted to Baht 400,000.<br>* Other expenses amounted to Baht 900,000.<br><br>(Other expenses include fee for selling agent, trustee, custodian, credit rating, legal counsel, printing cost of debenture certificate, printing cost of subscription form, printing cost of final prospectus, marketing cost for the placement of debenture, and etc.)<br><br>The mentioned expenses for offering of debenture are for the offering of;<br>+ Debenture of Thai Union Frozen |

| | |
|---|---|
| PLC no. 1/2551, series 1 , matured in B.E. 2554 worth Baht 3,000 million.<br>+ Debenture of Charoen Pokphand Foods PLC no. 1/2551, series 2 ,matured in B.E. 2556 worth Baht 3,000 million. | Products PLC no. 1/2551, series 1 , matured in B.E. 2556 worth Baht 1,500 million.<br>+ Debenture of Thai Union Prozen Products PLC no. 1/2551, series 2 , matured in B.E. 2556 worth Baht 500 million. |
| Hence, the expenses for offering of the mentioned debentures is 0.12% of the all the debentures issued and offered. | Hence, the expenses for offering of the mentioned debentures is 0.09% of the all the debentures issued and offered. |

Remark: * The estimated expenses for the offerings are from the prospectus of CPF and TUF effective on August 6, 2008 and November 6, 2008 respectively (source: the Securities and Exchange Commission www.sec.or.th)

From the above table, the coupon rates offered by CPF and TUF for 5 years maturity are 5.70% and 5.50% respectively, no more than 0.50 - 0.30% lower than the up to 6.00% interest rate on the loan from the directors and connected persons.

Nevertheless, should the Company offer its debenture, the coupon rate will be different from CPF and TUF because the Company offers less diversity of products (only products from chickens). The bird flu outbreak also has had lingering impact on the chicken farming. These factors influence the investors to perceive that the Company possesses higher risk. In addition, the Company's products are sold to the wholesalers while CPF's and TUF's products are also directly sold to the consumers making them better known. All the factors above will be reflected in the Company's and its debenture's credit rating, and as a result, affect the coupon rate. The Company's coupon rate is, therefore, likely to be higher than that of the two reference companies. Nevertheless, the Monetary Policy Committee has resolved to reduce the 1-day treasury bill repurchase rate by 1.00% per annum possibly causing the market's expected return rate to fall.

Hence, the issuance and offering of debenture in the prevailing extremely turbulent market environment and no past record of offering a debenture by the Company make it impossible to estimate the possible coupon rate of the Company's debenture offered in the prevailing market. It could be either higher or lower than the coupon rate of reference companies.

Additionally, the issuance and offering of debenture will incur expenses to the issuer as follows;

- Selling agent fee: the selling agent will demand for fee for placement of the debenture to the investors at a certain percentage of the issue amount depending on;
  + Basis of the placement such as firm underwriting or best effort.
  + Size of the issuance
- Financial advisory and legal counsel fee: The issuer company may require a financial advisor and/or legal counselor to advise on conditions of the debenture to assure the conformity to the notification of the Securities and Exchange Commission and the Stock Exchange of Thailand relating to the issuance and offering of particular type of debenture.
- Credit rating expenses: The issuer company may have to pay fee for credit rating of the company, the debenture, and the guarantor to conform with the Securities and Exchange Commission and the Stock Exchange of Thailand relating to the issuance and offering of particular type of debenture.
- Offering application fee and filing fee: The issuer company has to pay such fee according to the requirement indicated by the Securities and Exchange Commission and the Stock Exchange of Thailand relating to the issuance and offering of particular type of debenture.
- Other expenses: Apart from the above expenses, the issuer company may also have other expenses such as trustee fee, custodian fee, secondary market listing fee, expenses for printing of debenture certificates/prospectus/and subscription form.

From the above table, the expenses relating to the offering of CPF's and TUF's debentures are 0.12% and 0.09% of the value of the debentures offered respectively. However, the expenses are only an estimation from the prospectuses for that particular offering of CPF's and TUF's debenture. Therefore, they might not constitute an estimation of expenses for the Company's offering of debenture because each offering by each company may involve different factors which result in different expenses. For example, the selling agent fee may be different depending on the conditions for the placement and negotiation with the selling agent, and expenses for printing of documents may be different depending on the nature of the placement as private placement requires fewer documents and prospectus.

The interest rate of no higher than 6.00% per annum for the loan from the directors and connected persons is higher than the coupon rate of the companies operating similar business but it does not incur any expense relating to the issuance and offering of debenture, shortens time for fund raising, reduces risk of inability to raise fund within the required timeframe. The connected transaction can better ensure that the Company will be able to adjust its financial structure and make the investment as planned than issuance and offering of debenture.

4.2. Reasonableness of term of the Transaction

According to the loan agreement to be entered into between the Company and its subsidiaries, and the directors and the connected persons, there will be only no higher than 6.00% per annum of interest to be paid to the lenders. There is no other additional condition or restriction, so the benefits of the connected transaction are as follows;

- No requirement for registration of collateral to secure the loan, so no burden for procurement of collateral for security.
- The Company or its subsidiaries can prepay part or whole of the loan principle without penalty or any expense bringing about flexibility in managing the Company's liquidity.
- The fixed interest rate will reduce the risk from volatility of the market interest rate.
- No condition restricting the Company from raising fund through other alternatives in the future in the case that the Company does not receive the loan from the directors and connected persons although there remains an undrawn amount or there is other fund raising alternative which is more beneficial to the Company than the loan from the directors and connected persons at a particular moment.

The fact that the Company and its subsidiaries have not entered into any agreement or memorandum of understanding with the directors and connected persons which indicates that the directors and connected persons are committed to lend to the Company to the full amount of Baht 2,000 million whenever the Company requires creates the risk that the Company may not receive the undrawn amount. Nevertheless, the Company may consider other funding alternatives because there is no condition restricting borrowing from financial institutions nor issuance and offering of debenture nor issuance and offering of capital increase shares.

Yours sincerely

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