



PART 3 FINANCIAL POSITION AND PERFORMANCE

13. Financial Information

Consolidated Statements of Financial Position of GFPT PCL and its subsidiary companies

	as at 31 December					
	2013		2012		2011	
	MB.	%	MB.	%	MB.	%
Cash and Cash Equivalent	311	2	283	2	179	2
Accounts Receivable-Net	1,101	8	960	8	811	8
Inventories-Net	3,217	25	4,212	32	2,816	27
Other Current Assets	17	-	21	-	9	-
Total Current Assets	4,646	35	5,476	42	3,815	37
Investment in Associated Companies-Net	1,616	12	1,429	11	630	6
Grandparent Chickens-Net	46	-	38	-	41	-
Parent Chickens-Net	367	3	288	2	309	3
Investment property-Net	375	3	328	2	263	3
Property, Plant and Equipment-Net	5,686	44	5,225	40	4,933	49
Deferred Tax Assets	322	3	320	2	130	1
Other Non-Current Assets	45	-	85	1	77	1
Total Non-Current Assets	8,457	65	7,713	58	6,383	63
Total Assets	13,103	100	13,189	100	10,198	100
Short-Term Loans from Financial Institutions	2,047	16	3,533	26	666	7
Accounts and Notes Payable	921	7	1,027	8	623	6
Current Portion of Long-Term Loans	2,080	16	80	1	80	1
Other Current Liabilities	28	-	15	-	58	-
Total Current Liabilities	5,076	39	4,655	35	1,427	14
Long-Term Loans	80	1	2,160	17	2,240	22
Provision for Employee Benefit	292	2	271	2	253	3
Advance Received for Rental Income from Associate	134	1	141	1	148	1
Other Non-Current Liabilities	63	-	22	-	16	-
Total Non-Current Liabilities	569	4	2,594	20	2,657	26
Total Liabilities	5,645	43	7,249	55	4,084	40
Total Shareholders' Equity	7,458	57	5,940	45	6,114	60
Total Liabilities and Shareholders' Equity	13,103	100	13,189	100	10,198	100

Remark: Figures in the 2011 and 2012 consolidated financial statement were restated for comparison.



Consolidated Statements of Comprehensive Income Statements of GFPT PCL and its subsidiary companies

	For the year ended 31 December					
	2013		2012		2011	
	MB.	%	MB.	%	MB.	%
Revenue from Sales	16,699	98	15,370	98	14,210	98
Other Income	312	2	281	2	223	2
Total Revenue	17,011	100	15,651	100	14,433	100
Cost of Sales	(14,418)	(85)	(14,374)	(92)	(11,986)	(83)
Selling and Administrative Expenses	(1,098)	(6)	(1,006)	(6)	(901)	(6)
Total Expenses	(15,516)	(91)	(15,380)	(98)	(12,887)	(89)
Participating Profit /(Loss) in Associated Companies	221	1	(74)	-	(111)	(1)
Profit before Financial Costs and Income Taxes	1,716	10	197	2	1,435	10
Financial Costs	(186)	(1)	(147)	(1)	(136)	(1)
Income Tax Revenue (Expenses)	(12)	-	190	1	53	-
Profit for The Period	1,518	9	240	2	1,352	9
Non-Controlling Interests	(14)	-	(8)	-	(20)	-
Net Profit	1,504	9	232	2	1,332	9

Remark: Figures in the 2011 and 2012 consolidated financial statement were restated for comparison.

Consolidated Cash Flows Statements of GFPT PCL and its subsidiary companies

	For the year ended 31 December		
	2013	2012	2011
	MB.	MB.	MB.
Net Cash Provided (Used) from Operating Activities	3,072	(135)	1,546
Net Cash Used in Investing Activities	(1,292)	(1,991)	(1,018)
Net Cash Provided (Used) from Financing Activities	(1,752)	2,230	(540)
Net Increase (Decrease) in Cash and Cash Equivalent	28	104	(12)
Cash and Cash Equivalent at the Beginning Balance	283	179	191
Cash and Cash Equivalent at the Ending Balance	311	283	179

Remark: Figures in the 2011 and 2012 consolidated financial statement were restated for comparison.



Financial Ratios of GFPT Public Company Limited and its subsidiaries

	2013	2012	2011
Liquidity Ratio			
Current Ratio ¹ (times)	0.92	1.18	2.67
Quick Ratio ² (times)	0.27	0.26	0.66
Cash Ratio ³ (times)	0.63	(0.04)	1.15
Account Receivable Turnover ⁴ (times)	16.72	18.15	18.87
Average Collection Period ⁵ (days)	22	20	19
Inventory Turnover ⁶ (times)	77.06	73.90	71.56
Inventory Turnover Period ⁷ (days)	5	5	5
Account payable Turnover ⁸ (times)	18.42	22.27	26.47
Average Payment Period ⁹ (days)	20	16	14
Cash Cycle ¹⁰ (days)	7	9	11
Profitability Ratio			
Gross Profit Margin ¹¹ (%)	13.66	6.48	15.65
Operating Profit Margin ¹² (%)	10.28	1.28	10.10
Cash Profit Margin ¹³ (%)	179.03	(68.49)	107.70
Net Profit Margin ¹⁴ (%)	8.84	1.48	9.23
Return on Equity or ROE ¹⁵ (%)	22.45	3.84	23.19
Efficiency Ratio			
Return On Assets or ROA ¹⁶ (%)	11.55	2.05	13.93
Return On Fixed Assets ¹⁷ (%)	35.14	13.68	36.14
Total Assets Turnover ¹⁸ (times)	1.29	1.34	1.49
Leverage Ratio			
Debt/Equity Ratio ¹⁹ (times)	0.76	1.22	0.67
Interest Coverage Ratio ²⁰ (times)	8.51	1.25	9.53
Debt Service Coverage Ratio ²¹ (times)	0.19	(0.02)	0.53
Dividend Payout Ratio ²² (%)	82.14	0.00	97.23

**Remark:**

- 1) Current Ratio = Current Assets / Current Liabilities
- 2) Quick Assets = (Cash + Short-term Investments + Accounts Receivable) / Current Liabilities
- 3) Cash Ratio = Cash Flow from Operating / Current Liabilities
- 4) Account Receivable Turnover = Net Credit Sales / Average Accounts Receivable
- 5) Average Collection Period = 360 / Account Receivable Turnover
- 6) Inventory Turnover = Cost of Goods Sold / Average Inventory
- 7) Inventory Turnover Period = 360 / Inventory Turnover
- 8) Account payable Turnover = Cost of Goods Sold / Average Account payable
- 9) Average Payment Period = 360 / Account payable Turnover
- 10) Cash Cycle = Average Collection Period + Inventory Turnover Period - Average Payment Period
- 11) Gross Profit Margin = Gross Profit / Sales
- 12) Operating Profit Margin = Operating Profit / Sales
- 13) Cash Profit Margin = EBIT / Net Income
- 14) Net Profit Margin = Net Profit / Total Sales
- 15) Return On Equity or ROE = Net Profit / Average Equity
- 16) Return on Assets or ROA = Net Profit / Average Total Assets
- 17) Return on Fixed Assets = (Net Profit + Depreciation) / Average Total Fixed Assets
- 18) Total Assets Turnover = Sales / Average Total Assets
- 19) Debt/Equity Ratio = Total Debt / Equity
- 20) Interest Coverage = Cashflow from Operations + Interest Expenses + Tax / Interest Expenses
- 21) Debt Service Coverage = EBITDA / (Debt payment + Capital Expenditure + Investment in Fixed Assets
+ Dividend Payment)
- 22) Dividend Payout = Dividends / Net Income



14. Management Discussion and Analysis

14.1 Overview

The result of operations in the year 2013 was impressive, delivering the best year in our Company's 32-years history. Total sales reached THB 17.01 billion, an increase of 8.69%.

Export volume of chicken products for fiscal 2013 was 22,500 MT increasing 3,850 MT or 21% from fiscal 2012. Considering direct and indirect export of GFPT Group in year 2013, the marketshare was 14% of total Thailand export of chicken products, positioning in no. 4 of Thai chicken exporters (include export volume of associated companies).

The Company's consolidated gross profit margin improved from 6% in fiscal 2012 to 14% in fiscal 2013, reflecting from the strategy of accelerating growth in value-added cooked chicken product sales. The cooked chicken product featured higher margin and less volatile selling price. In addition, the market price for poultry products improved from fiscal 2012 while the corn price sharply declined from 2012.

The participating profit in associated companies of year 2013 increased THB 295 million, turnaround from THB 74 million loss in year 2012 as the result of GFN's operational performance that turnaround since the first quarter of year 2013.

The consolidated net profit of the Company for fiscal 2013 was THB 1.50 billion, increased THB 1.27 billion or 548%, from fiscal 2012 (adjusted). The 2013 operational result was record high in GFPT's history since its startup. However, The Company has still to improving the quality standards. For excellence in the production of food in order to achieve a leading producer and exporter of fully integrated chicken production as 2014' operation plan of the Company.

In 2013, the Company adopted the Thai Accounting Standard No. 12 on Income Taxes. The consolidated and separate financial statements for the year ended December 31, 2012, summary of consolidated financial statement, and management discussion and analysis for fiscal 2013 presented herein have been retrospectively adjusted for comparison.

14.2 Results of Operations and Profitability

Revenue from Sales

The consolidated net sales for fiscal 2013 was THB 16.70 billion, increased THB 1.33 billion or 8.65%, from fiscal 2012; mainly from higher export volume of cooked chicken product, improved selling price of chicken meat products, and expansion of meat retail outlets in various provinces in Thailand.



Revenue by type of business

Business Segment of GFPT and its subsidiaries	2013		2012		2011	
	MB.	%	MB.	%	MB.	%
Chicken Processing	7,035.44	42.13	5,803.86	37.76	6,101.15	42.94
Feed	4,817.96	28.85	5,294.03	34.44	4,838.82	34.05
Farm and Day-Old-Chicks Sales	4,004.94	23.99	3,664.25	23.85	2,812.83	19.79
Processed Food	840.69	5.03	607.67	3.95	456.75	3.22
Total Sales	16,699.03	100.00	15,369.81	100.00	14,209.55	100.00

Chicken Processing Segment:

For fiscal 2013, revenue from chicken processing segment represented 42%, being the largest portion of GFPT's consolidated net sales amounting THB 7.04 billion, an increase of THB 1.23 billion or 21% from fiscal 2012. The export volume of chicken product in 2013 significantly increase of 3,850 MT or 21% from 2012; mainly from higher export volume of chicken products to Japan and EU. The export price of chicken products in 2013 also increased 12% from previous year.

Feed Segment:

Revenue from feed segment in fiscal 2013 represented 29% of the consolidated net sales amounting THB 4.82 billion, declined by THB 476 million or 9% from 2012; mostly from decreasing in feed sales. In particular, the volume sales of shrimp feed was 24% decreased compare to last year due to the Emergency Mortality Syndrome (EMS) outbreak. Whilst, sales from fish feed segment in fiscal 2013 increased 12% from fiscal 2012 in both volume sales and selling price. Therefore, total revenue from feed segment of the group did not significantly decline.

Farm & Day-Old-Chicks Segment:

The revenue from chicken farm has become a consistent major source of revenue for the company ever since we have started supplying live broilers to GFN (an associated company that operates since year 2011). The revenue from live broilers and day-old-chicks sales in 2013 was THB 4.01 billion, an increase of THB 341 million or 9% from 2012; mainly from the increase in volume sales of live broiler to GFN.

**Processed Foods:**

From the continuous expansion of meat wholesale outlets in large provinces, the processed foods segment's growth looks promising as the revenue from food products such as chicken sausages, meatballs and other processed foods. In 2013, the revenue from processed foods was THB 841 million, grew by THB 233 million, a 38% increase from 2012; mainly from higher sales volume of 30% that came from chicken sausage and chicken meatballs as well as slightly increased in domestic selling price.

In 2013, the Company has opened 12 meat wholesale outlets in 12 provinces including Phuket, Songkhla, Nakhon Pathom, Bureerum, Chiang Mai, Lampang, Surat Thani, Nakhon Sawan, Chiang Rai, Ubon Ratchathani, Tak and Phetchaburi. GFPT has plans to continue its expansion in the wholesale store in preparation for the Asian Economic Community in 2015.

Cost of Sales

Cost of sales for fiscal 2013 was THB 14.42 billion, slightly increase by THB 44 million from 2012. The cost of goods sold ratio in 2013 declined from 92% in 2012 to only 85% or dropped by 9% as compared to 2012. This is due to the efficient costs management and corn price declined in year 2013.

Gross Profit

In 2013, the consolidated gross margin was THB 2.28 billion, significantly increased THB 1.29 billion or 129% from 2012, driven by the company's strategy to focus on higher export cooked chicken products with higher margin and stable selling price. In addition, selling price of most products in fiscal 2013 improved from previous year. The corn price declined similarly to the global price trend; result in lower production cost of feed and chicken meat products. The consolidated gross margin improved from 6% in fiscal 2012 to 14% in fiscal 2013.

Other Income

In 2013, other income of the Company and its subsidiaries was THB 312 million, increased THB 31 million or 11% from 2012, mainly from foreign exchange gains by THB 46 million or 102% from 2012. The consolidated other incomes in 2013 was 2% of net sales, remained similar percentage as 2012.

Selling General and Administrative Expenses

The Consolidated SG&A expenses in fiscal 2013 totaled THB 1.10 billion, increased THB 92 million or 9% from fiscal 2012. The higher expenses were mainly from increasing in salary and bonus of employee,



depreciation of fixed-assets and utilities expenses. The consolidated SG&A expenses in 2013 were 6% of net sales, remained similar percentage as 2012.

Share of Profit from associated companies

In 2013, the Company's share of profit from associates under the equity method in the amount of THB 221 million, an increase of THB 295 million, or 397% from 2012 mainly from the investments in its 2 joint ventures. McKey's profit contribution was THB 81 million and GFN's was THB 140 million. The operating results of GFN in 2013 turned around from a loss to a profit due to the hike in export volume of frozen chicken meat to the EU market since the EU has lifted the ban of Thai frozen chicken meat in 3Q2012. In addition, the higher production capacity of cooked chicken products from the new production line which increased the amount of cooked chicken products from 16,800 MT to 21,600 MT since May 2013 also helped boosting performance of GFN.

Financial Costs

Financial costs of the group include interest expense and bank charges. The Company's finance costs in 2013 were THB 186 million, up THB 39 million or 27% from 2012 mainly from the fact that the group has higher level of short-term loan from institutions comparing to previous year. The consolidated financial costs of the group in 2013 were 1% of net sales, remained similar percentage as 2012.

Net Profit

The Company's net income during fiscal 2013 was THB 1.50 billion, increased in amount of THB 1.27 billion or 548% increased from 2012 of THB 232 million (restated). The EPS of fiscal year was THB 1.20 per share. The improved net income of the Company was primarily driven from higher sales revenues, improved average selling price, gained from foreign exchange rate, and participating profit from associated companies. The consolidated net profit margin in 2013 was 9% of net sales, significantly improved from 2% in 2012.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

In 2013, the Consolidated EBITDA was THB 2.61 billion, an increase of THB 1.52 billion or increased by 139% from 2012. The increasing in EBITDA resulted from the hike in the sales growth and its ability to control cost. The EBITDA margin in 2013 was 15.62% increased from 7.10% in 2012.



Unit: THB million

	2013	2012	2011
EBIT	1,716	197	1,435
Depreciation Expense	888	892	820
Amortization Expense	4	3	2
EBITDA	2,608	1,092	2,257
EBITDA Margin (%)	15.62	7.10	15.88

Return on Equity

In 2013, the return on equity of the Company and its subsidiaries was 22.45%, significantly improved from 2012. The group improves efficiency in generating profit, slightly lower utilization of asset and lower risk from 2012 as follow:

DuPont Analysis	2013	2012	2011
Return on Equity or ROE ¹⁵ (%)	22.45	3.84	23.19
Operating Profit Margin ¹² (%)	10.28	1.28	10.10
Total Assets Turnover ¹⁸ (times)	1.29	1.34	1.49
Equity Multiplier (times) (1+DE)	1.76	2.22	1.67

14.3 Financial position

Assets

For the consolidated financial statements as of December 31, 2013, total assets of the Company equal to THB 13.10 billion including THB 4.65 billion (35% of total assets) in current assets, THB 5.69 billion (44% of total assets) in property, plant and equipment (PP&E) - net, THB 1.62 billion (12% of total assets), in investments in associated companies, THB 413 million (3% of total assets) in grandparent chicken and parent chicken-net and THB 742 million (6% of total assets) in other assets.

Total assets as at December 31, 2013 decreased in amount of THB 86 million or 1% from 31 December 2012 primarily from the decrease in inventory-net in amount of THB 995 million as average corn price in 2013 declined from previous year. However, the PP&E-net increased in amount of THB 461 million. Trade and other receivables - net increased THB 141 million. Investments in associates – net increased THB 187 million. Grandparent and parent chickens – net increased THB 87 million.



Trade and other Receivables

In fiscal 2013, the Company and its subsidiaries recorded allowance for doubtful accounts in amount of THB 37 million, decreased of THB 11 million from fiscal 2012 of THB 48 million. The allowance for doubtful accounts was in acceptable level at 3.3% of total trade receivables. The average collection period of the Company and its subsidiaries was 22 days in fiscal 2013, slightly increased from 20 days in fiscal 2012. The account receivable turnover was 17 times, remained similar level as 2012.

Inventory

In fiscal 2013, the consolidated inventories – net of THB 3.22 billion substantially decreased about THB 995 million or 24% decreased from fiscal 2012; primarily from reduction in raw materials and raw materials in transit. The Inventory Turnover was 77 times, slightly increased from fiscal 2012 at 74 times. The Company and its subsidiaries recorded allowance for nonmovement inventories in amount of THB 3 million and allowance for decline in value of inventories in amount of THB 28 million which accounted only 1% of total inventories value.

In 2013, the utilization of assets of the Company and its subsidiaries were highly efficient. The consolidated return on asset was 11.55 times much higher than fiscal 2012 at 2.05 times.

Liabilities

As at December 31, 2013, total liabilities of the Company and its subsidiaries in amount of THB 5.65 billion comprising of THB 5.08 billion in current liabilities and THB 569 million in non-current liabilities.

The total liabilities as at December 31, 2013 decreased by THB 1.60 billion or 22% from December 31, 2012 primarily from the repayment of short-term borrowings from financial institutions in amount of THB 1.49 billion and trade and other payables in amount of THB 106 million. Loan from related parties of THB 2 billion was shifted from long-term loans to the current portion as the loans are due in 31 January 2014. All short-term and long-term loans of the group are in THB currency only. The Company has no exposure in foreign currency borrowings.

In fiscal 2013, trade and other payables of the Company and its subsidiaries was THB 921 million, decreased in amount of THB 106 million or 10% decreased from fiscal 2012. The 2013 account payable turnover was 18.42 times decreased from fiscal 2012 at 22.27 times. The consolidated average payment period in 2013 was 20 days.



The consolidated interest-bearing liabilities as at December 31, 2013 were THB 4.21 billion, decreased from fiscal 2012 in amount of THB 1.57 billion, mainly from the repayment of short-term loan from financial institutions in amount of THB 1.49 billion. The consolidated financing cost was 3.7% and 3.4% for fiscal 2013 and 2012, respectively.

Shareholders' Equity

As at December 31, 2013, the consolidated shareholders' equity in amount of THB 7.46 billion increased THB 1.52 billion or increased 26% from December 31, 2012; primarily from the increase in retained earnings in amount of THB 1.50 billion as a result of outstanding performance in the year 2013. The consolidated book value as at December 31, 2013 was THB 5.95 per share.

14.4 Liquidity and the Adequacy of Funding

Cash Flow Activities

In fiscal 2013, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 3.07 billion increased of THB 3.21 billion from 2012; resulted primarily from the increasing in net income before tax in amount of THB 1.48 billion. The cash cycle of the Company and its subsidiaries was only 7 days in 2013 shorter than the 9 days in 2012.

The Company and its subsidiaries used cash in its investing activities in amount of THB 1.29 billion in fiscal 2013. The investing activities was made mostly in the investment in fixed assets in amount of THB 860 million, the grandparent and parent breeder stocks in amount of THB 456 million, and the investment properties of THB 86 million.

The Company and its subsidiaries used net cash from its financing activities in an amount of THB 1.75 billion mainly in repayment of short-term loan of THB 1.49 billion and interest payment of THB 186 million.

As at December 31, 2013, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 311 million increased of THB 28 million from 2012.

Liquidity ratios

In 2013, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations. As at December 31, 2013, the consolidated liquidity ratio was only 0.92 times decreased from previous year which was 1.18 times. The quick ratio in fiscal 2013 was 0.27 times quite similar to fiscal 2012 at 0.26 times. The cash ratio of the Company was 0.63 times much improved from previous year of (0.04).



Short-term Debt Maturity

As at December 31, 2013, the Company and its subsidiaries' current liabilities of THB 5.08 billion comprise of short-term loans from financial institutions THB 2.05 billion, trade payables and other payables THB 921 million, other current liabilities THB 28 million, the current portion of long-term loans from financial institutions of THB 80 million, and the current portion of long-term loans from related parties of THB 2.00 billion.

Due to its strong cash position and liquidity, the Company and its subsidiaries can repay the debt obligations including trade payables, short term loans, the current portion of long-term loans from financial institutions, and interest expenses. The repayment can be made from cash flow from operation activities. In 2013, the consolidated interest coverage ratio in was 8.51 times and the net debt to equity ratio was low at 0.56: 1. The Company and its subsidiaries have available credit line of the revolving short-term borrowings with banks including overdraft and promissory notes in amount of THB 3.11 billion and trade finance facilities being letter credit and trust receipt line for THB 3.57 billion.

The long-term loans from related parties in amount of THB 2.00 billion due on January 31, 2014 was re-classified as current liabilities since the first quarter of fiscal 2013. According to the resolution of the extraordinary shareholders' meeting no.1/2556 on December 12, 2012, the Company and its subsidiaries granted the approval from its shareholders to receive financial assistance from related parties in the amount not more than THB 2.00 billion with the interest rate of no more than 5.5% p.a., the maturity of not more than 10 years starting from February 1, 2014 until January 31, 2024, and no collateral pledging requirement.

Capital Structure

The Company and its subsidiaries had strong financial position. As at December 31, 2013, the consolidated debt to equity ratio was 0.76: 1 declined from 1.22: 1 as at December 31, 2012 resulting from improved operating performance and repayment of short-term loan. As at December 31, 2013, the consolidated interest-bearing liabilities were THB 4.21 billion. The net debt to equity of the Company was considerably low at 0.56: 1.

Capital Expenditure and Capital Resources

In 2013, the Company made an investment of THB 1.29 billion; mostly in purchasing of fixed assets in amount of THB 860 million, grandparent breeder and breeder stocks in amount of THB 456 million, and an investment property in amount of THB 86 million.



According to the investment plan in 2013, the Company has continued to expand its broiler production capacity mainly in the grandparent farm, breeder farm, hatchery, broiler farm, and processed food plant (sausage). The investment of THB 946 million was paid by cash flow from operations, short-term loans, and long-term loans.

In the few years ahead, the Company already planned for its future growth by emphasis on the upstream expansion of chicken farm areas with the investment budget of THB 800 million per year (similar level of investment budget for the past 3 years). However, this investment budget can be adjusted depending on the changes in future situation.

14.5 Contractual Obligations

The Company's contractual obligations are as follow:

Unit: THB million

Contractual Obligations	Total	Term of payment			
		Less than 1 year	1 – 3 year	3 – 5 year	More than 5 year
The long-term debt obligations	2,160	2,080	80	-	-
The finance lease obligations	-	-	-	-	-
The operating lease obligations	56.17	20.82	17.89	5.05	12.41
The acquisition obligations	165.53	49.84	115.69	-	-
The other debt obligations	1,085.92	1,085.92	-	-	-
Total	3,467.62	3,236.58	213.58	5.05	12.41

14.6 Forward Looking

Currency Fluctuations

The Company and its subsidiaries are exposed to fluctuations in the value of the U.S. dollar against Thai baht through foreign exchange transactions. Currency fluctuation risk relates primarily to sales proceeds from GFPT's export of chicken products as well as GFPT's import of feed grains. There is a common misperception that the Company and its subsidiaries will be adversely affected from the THB appreciation against the U.S. dollar, as the company will incur foreign exchange losses on its exports. However, the negative effects on the value of GFPT's export of chicken meat are offset by the positive gains from GFPT's import of feed grains. This implies a natural hedge between GFPT's import and export, limiting the risk of foreign exchange gains and losses at the minimum level. In addition, GFPT also uses forward contract to hedge the FX position.

**Export limit**

The export of chicken meat has limit depending on the policy of each country, some countries either impose tax or sanitation policy. In the future, sanitation policy will be the main policy use for trade barriers such as industry standard or ISO9000, GMP and HACCP or environmental policy or human rights policy or animal welfare policy. The imposition of tax sanctions will be reduced because each country will enter WTO or free trade where the government will reduce its support on import tax.

Quota limit

The government limit quota on import of corn, which is the main raw material in feed mill production. The import has to be made only through Public Warehouse Organization. The corn are imported from the WTO member countries at the quota limit of 54,700 ton and import tax of 20%, however, if the imported quantity exceeds the quota, the import tax will be 73% plus additional fee of THB 180 per ton. In the case of import from non-WTO member countries, it has complied with the government's condition. Other than corn, there are other raw materials that need to import from abroad include soybean residue and fish powder, which will also need to comply with the government's condition as well (refer to the detail in Feed Mill Business (C) Demand of raw material for feed mill).

The European Union has implemented the import quota system since 1 July 2007. Thailand's import quota of processed chicken amount of 160,033 tons and exported at full quota, thus, export expansion will be difficult. Exported quantity that exceed the quota will have to bear import tax of up to 1,024 Euro per ton. The European Union allow the import of fresh frozen chicken, thus, the Company is able to export during the end of year 2012.

Price control

Feed mill business is under the price control policy, either for the purchase of raw materials or selling price of feed mill. Whereby the Company has to purchase domestic soybean residue at a minimum price at factory and enter into purchase agreement with the Ministry of Commerce. For the selling price of feed mill, the Company and its subsidiaries can not immediately increase the selling price because it has to be approved from the Department of Internal Trade, Ministry of Commerce.