



PART 1 BUSINESS OPERATION

1. Business Policy & Business Operation

GFPT Public Company Limited (“GFPT” or “the Company”) was incorporated as a juristic person under the Civil and Commercial Code on 25 November 1981. The Company initially set up to operate chicken processing for export. The major shareholders are Sirimongkolkasem family. The Company has continuously expanded its operations; until now, the Company and its subsidiaries' core businesses cover agriculture, livestock, and food processing. Its fully vertical integrated chicken production consists of feed production, integrated farm operations, chicken evisceration and processing, and further processing.

Business Policy

The Company sets business policy to be the leader of the integrated further production of livestock and agriculture. The Company undertakes to provide food safety products and traceability. The Company is committed to operating the business with environmental friendliness and contributing to society.



1.1 Vision, Mission, and Strategy

Vision

GFPT strives to be a leading chicken meat exporter with its fully vertical integrated chicken production

Missions and Strategies

GFPT outlined its 7 mission statements to achieve the best practice in food production. The Company's strategies are crafted to serve its missions as follows:

1. **Quality:** Enhance product quality to international standards

Strategy: Selecting the finest raw materials in our food processing factory and placing strictly control in all production processes to ensure that our chicken products meet international standards and are valued by both domestic and international customers.

2. **Food Safety:** Achieve confidence through the traceability system

Strategy: With our traceability system in place, we can be fully confident to ensure that our products are safe before being delivered to the consumers.

3. **Innovation:** New product development using modern technology

Strategy: Continuously conducting research and development for new products in addition to adopting advanced technologies to constantly expand its business.

4. **Expertise:** Be attentive to the customers' needs to ensure their highest satisfaction

Strategy: Encourage the development of each personnel's capabilities in all divisions to become experts in their field of operation and to establish long term stability by creating confidence in a better quality of life with the Company which shall in turn lead the Company to the international level.

5. **Satisfaction:** Be attentive to the customers' needs to ensure their highest satisfaction

Strategy: Be attentive to the customers' needs as well as offering products which meets international standards at a fair pricing policy.

6. **Alliance:** Build long term relationship with business partners

Strategy: Establish good relationship on the foundation of trust and fairness to maintain long term business cooperation.

7. **Responsibility:** Build awareness and be responsible towards the society and environment

Strategy: Establish good principle of morality and an awareness of a responsibility towards the society and environment; maintain a balance between the impact on the environment, society, and economic profits to achieve a sustainable growth of our business.



1.2 Significant Change and Development of the Company

GFPT Public Company Limited (the “Company”) was incorporated as a juristic person under the Civil and Commercial Code on 25 November 1981. The Company’s major businesses are to manufacture and sell fresh frozen chicken meat and further processing chicken products to both domestic and international markets.

1981 : Registered in the name of General Foods Poultry (Thai) Company Limited, consisted of 3 parties of shareholders

- | | |
|--|----------------|
| 1. P. Charoen Phan Feedmill Company Limited (Thailand) | holding 51.00% |
| 2. General Foods Poultry Company Limited (New Zealand) | holding 34.00% |
| 3. United Trading Corporation (Luxemburg) | holding 15.00% |

1985 : 2 parties of shareholders; General Foods Poultry Company Limited (New Zealand) and United Trading Corporation (Luxemburg) withdrawn their shares, so, P. Charoen Phan Group purchased all the shares.

1987 : The Company increased its registered share capital from THB 77.70 million to THB 100 million in order to expand the production capacity to eviscerate chicken at the rate of 6,000 birds/hour

1989 : The Company increased its registered share capital from THB 100 million to THB 150 million in order to expand the production capacity to eviscerate chicken at the rate of 7,200 birds/hour.

: In October, the Company’s name changed to “P. Charoen Phan Poultry Company Limited”.

: In December, the Company’s name changed to “GFPT Company Limited”.

1990 : The Company increased its registered share capital from THB 150 million to THB 420 million to expand the business as an integrated chicken farm and acquired 99.99% shares of 2 subsidiary companies:

1. Krunghthai Farm Company Limited operates parent chicken farm.
2. M.K.S. Farm Company Limited operates broiler farm.

1991 : The Company invested 99.99% shares in a subsidiary company, GF Foods Company Limited, operates the production and distribution of processed chicken food.

: The Company increased its registered share capital from THB 420 million to THB 1,000 million.

: The Company acquired 65.00% shares in a subsidiary company, Krunghthai Feedmill Company Limited, listed in the Stock Exchange of Thailand since 1988, which operates feed mill business.

1992 : The Company was listed in the Stock Exchange of Thailand with the registered share capital of THB 1,000 million and paid-up capital of THB 570 million.



- 1993 : The Company invested 49.00% shares in McKey Food Services (Thailand) Limited, which manufactures and sells frozen processed food. McKey Food Services (Thailand) Limited has a registered and paid-up capital of THB 100 million and is a joint-venture company between the Company and Keystone Foods Corporation (USA) that holds the remaining 51.00% shares.
- 1994 : GFPT Company Limited changed from being a "Company Limited" to "Public Company Limited".
: Krungthai Feedmill Company Limited changed from being a "Company Limited" to "Public Company Limited".
- 1998 : Krungthai Feedmill Public Company Limited delisted from the Stock Exchange of Thailand.
- 2000 : The Company increased its paid-up capital from THB 570 million to THB 626.91 million.
- 2002 : The Company bought additional shares of Krungthai Feedmill Public Company Limited, consequently, the Company's share ownership increased from 65.00% to 96.50%.
- 2003 : The Company increased its share registered share capital from THB 1,000 million to THB 1,400 million and paid-up capital from THB 626.91 million to THB 1,253.82 million.
: The Company invested 99.99% shares in a subsidiary company, GP Breeding Company Limited, operates rearing grandparent chicken.
- 2008 : The Company invested 49.00% shares in GFPT Nichirei (Thailand) Company Limited, operates fully cooked chicken products and chicken meat for domestic and international sales. GFPT Nichirei (Thailand) Company Limited has a registered and paid-up capital of THB 1,170 million and is a joint-venture company between the Company and Nichirei Foods Inc. (Japan) that holds the remaining 51.00% shares.
- 2010 : The Company performed stock split from THB 10 per share to THB 1 per share. Therefore, the registered share capital of GFPT Public Company Limited was unchanged at THB 1,400 million but the number of shares outstanding increased from 140 million shares to 1,400 million shares.
- 2011 : The Company bought additional shares of Krungthai Feedmill Public Company Limited, consequently, the Company's share ownership increased from 96.50% to 97.85%.
- 2012 : GFPT Nichirei (Thailand) Company Limited, a joint-venture company, increased its registered share capital. Therefore, the Company bought additional shares being offered amounted THB 903.56 million to maintain its 49.00% share ownership. The details of GFPT Nichirei (Thailand) Company Limited registered capital are as follows:



1. In May, GFPT Nichirei (Thailand) Company Limited increased registered capital from THB 1,170 million to THB 1,514 million. (GFPT THB 168.56 million)
2. In December, GFPT Nichirei (Thailand) Company Limited increased registered capital from THB 1,514 million to THB 3,014 million. (GFPT THB 735.00 million)

: The Company bought additional shares of Krungthai Feedmill Public Company Limited, consequently, the Company's share ownership increased from 97.85% to 97.86%.

2013 : The Company bought additional shares of Krungthai Feedmill Public Company Limited, consequently, the Company's share ownership increased from 97.86% to 97.87%.

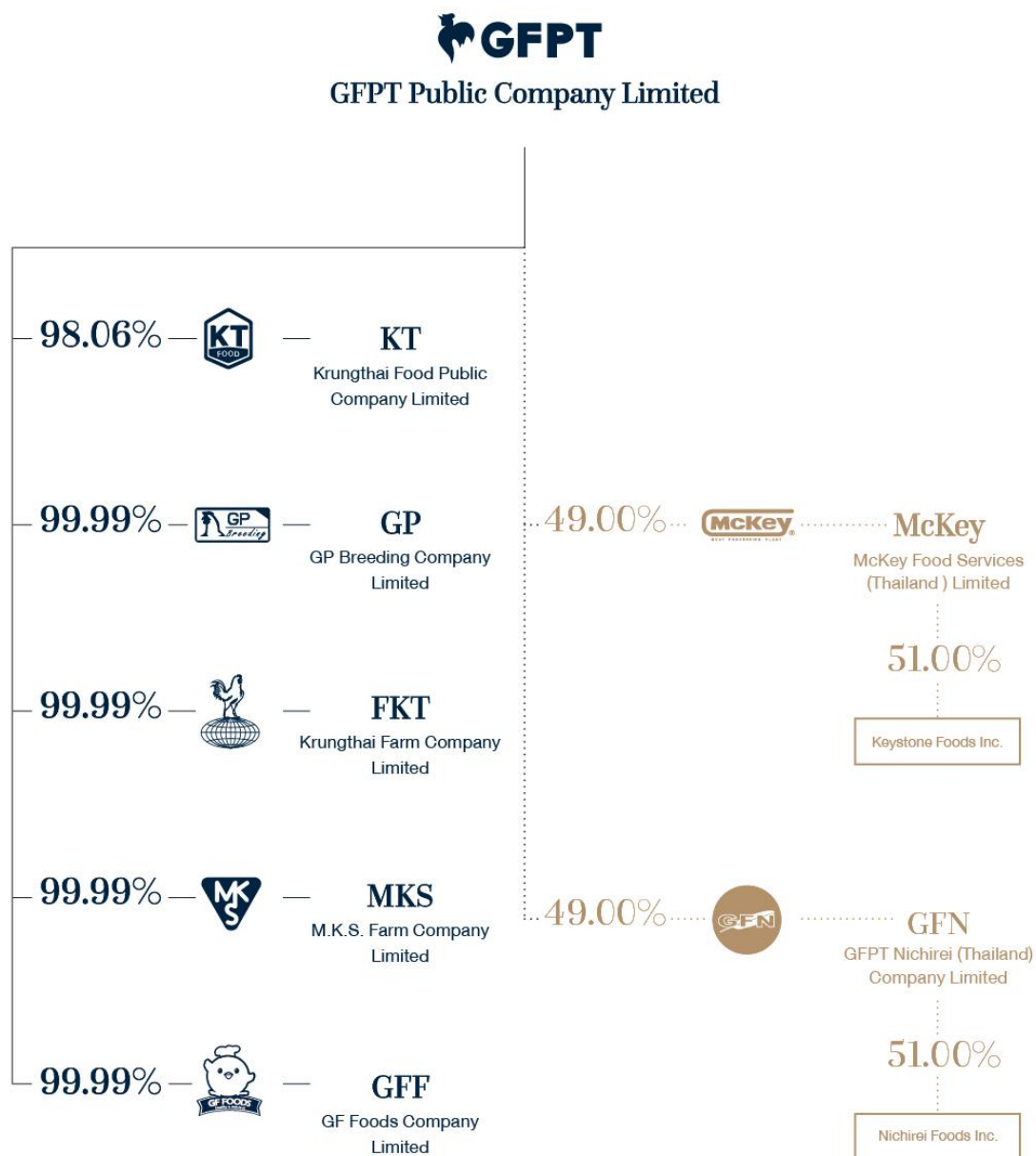
2014 : "Krungthai Feedmill Public Company Limited" changed to "Krungthai Food Public Company Limited"

: The Company bought additional shares of Krungthai Food Public Company Limited, consequently, the Company's share ownership increased from 97.87% to 98.03%.

2015 : The Company bought additional shares of Krungthai Food Public Company Limited, consequently, the Company's share ownership increased from 98.03% to 98.06%.



1.3 Company Group Structure





GFPT Public Company Limited (“GFPT”) founded in 1981 and became a public company in 1994. Nowadays, GFPT has registered capital of 1,400,000,000 Baht and paid-up capital of 1,253,821,000 Baht. GFPT is the parent company of the group who operates chicken production and distribution of frozen chicken meat, processed chicken, and its by-products under the customers’ and company brand names for both domestic and overseas markets. In 2015, GFPT has chicken processing capacity of 122,000 tons per year and cooked chicken products capacity of 32,000 tons per year from the plant located at Samutprakarn.

GFPT Public Company Limited and its subsidiary companies “GFPT Group” operate integrated poultry business that are chicken evisceration and processed food, hatchery farm, selling day-old-chicks, grandparent chicken farm, parent chicken farm, broiler farm, feed mill, and processed food production.

GFPT group operates integrated poultry business. Beginning with the investment of 98.06% in Krungthai Food Public Company Limited (“KT”), with paid-up capital of 400 million Baht, KT engages in feed mill business under the Company’s brand. KT’s main products are animal feed and aquatic feed. KT distributes animal feed especially chicken feed to the Company’s subsidiaries namely MKS, FKT, GP, and domestic animal raisers. For the aquatic feed, KT distributes to domestic aquatic raisers. In 2015, KT has total capacity of 1 million tons per year. The first feed mill, located at Samutprakarn province, consists of 1 animal feed line and 2 aquatic feed lines, with the total capacity of 599,000 tons per year. The second feed mill, at Banbueng, Chonburi province, has 1 broiler feed line with the total capacity of 512,000 tons per year. Moreover, KT also operates parent chicken farm to produce fertilized eggs for selling to FKT. In 2015, KT has total capacity of 21 million fertilized eggs from its 3 farms in Chonburi province. There is no conflict of interest between the rest of shareholders and The Company.

The Company invested 99.99% in GP Breeding Company Limited (“GP”), with registered capital 200 million Baht, GP engages in grandparent chicken farming to produce parent day-old-chicks for FKT, KT, and customers. In 2015, GP has total capacity of 1.64 million of parent stocks from its 1 farm in Chonburi province.

The Company invested 99.99% in Krungthai Farm Company Limited (“FKT”), with registered capital of 350 million Baht, FKT engages in parent breeder farming and hatchery business. For the commercial day-old-chicks, FKT purchases parent breeders from GP to produce commercial day-old-chicks and sells to MKS. In addition, FKT also imports the layer breeders to produce layer day-old-chicks and sells to KT and domestic layer farmers. In 2015, FKT has a total capacity of 107 million commercial day-old-chicks from its 6 farms and 3 million layer day-old chicks from its 1 layer farm in Chonburi province.



The Company invested 99.99% in M.K.S. Farm Company Limited ("MKS"), with registered capital of 550 million Baht. MKS engages in broiler farm business by purchasing commercial day-old-chicks from FKT and raising them for 41-43 days. MKS sells broilers to GFPT and GFN (joint venture company). In 2015, MKS has total capacity of 87 million broilers from its 13 farms in Chonburi province.

The Company invested 99.99% in GF Foods Company Limited ("GFF"), with registered capital of 40 million Baht. GFF engages in production and distribution of processed foods business. Its main products are sausages, meat balls, chicken rolls, and other processed products which are distributed under "GF Foods" brand through fresh markets and wholesalers. In 2015, GFF has total capacity of 11,000 tons per year from 1 factory in Samutprakarn province.

The Company invested 49.00% in McKey Food Services (Thailand) Limited ("McKey"), with registered capital of 100 million Baht. McKey engages in production and distribution of semi-finished frozen foods for export market. McKey's products are distributed to McDonalds' restaurants both in Thailand and overseas. In 2015, McKey has a total capacity of 25,000 tons from 1 factory in Samutprakarn province. There is no conflict of interest between the rest of shareholders and The Company.

The Company invested 49.00% in GFPT Nichirei (Thailand) Company Limited ("GFN"), with registered capital of 3,014 million Baht. GFN engages in chicken evisceration, processing and distribution for domestic and export markets. The capacity of chicken processing is 67,000 tons per year and the capacity of cooked chicken products is 43,000 tons per year from 1 factory in Chonburi province. There is no conflict of interest between the rest of shareholders and The Company.

1.4 Relationship with business of major shareholders.

- None -



2. Business Characteristics

Income Structure according to consolidated financial statements

Revenue Breakdown of GFPT and its subsidiaries	Operated by	% of Share holding	2013 Income (MB)	%	2014 Income (MB)	%	2015 Income (MB)	%
Chicken Evisceration/ Processed Chicken	GFPT		7,035.44	42.15	7,196.20	40.36	6,648.59	40.38
Feed Mill	KT	98.06	4,811.39	28.82	4,886.72	27.41	4,457.61	27.07
Chicken Farms / Day-Old-Chicks	FKT, GP, MKS	99.99	4,004.94	23.99	4,840.26	27.15	4,507.21	27.37
	KT	98.06						
Processed Foods	GFF	99.99	840.69	5.04	905.50	5.08	853.10	5.18
Total			16,692.46	100.00	17,828.68	100.00	16,466.51	100.00

2.1 Product Characteristics

Chicken Evisceration and Processed Chicken

The business line of chicken evisceration and processed chicken operated by GFPT Public Company Limited ("the Company"), a parent company of the group. The products of the Company are fresh frozen chicken parts, cooked chicken products and by product from chicken evisceration. The distribution channel is through both domestic sales and export sales at the proportion of 57% and 43%, respectively. The competition in this market can be considered into 2 parts as follows:

1) Domestic market

Competitor of the Company is the operator of evisceration business in Thailand. The Company has advantage over its vertical integrated poultry business that covers feed mill, chicken farm, chicken evisceration and processed food production, therefore, able to control the quality of products and cost of production.



2) Export market

Competitors of the Company are the large broiler producer including the United States of America, China Brazil and the European Union. Thailand is also considered to be one of the large broiler producers and has potential to compete with other countries. Most of the export volume came from processed cooked chicken while the export volume fresh frozen chicken keep increasing because Japan has allowed importing fresh frozen chicken from Thailand after Thailand controlled the outbreak of bird flu.

Dependent on large or few distributors

The raw material is chicken meat; the Company needs to depend on 1 distributor, which is M.K.S. Farm Company Limited, a broiler farm. In 2015, the purchase order amounted THB 4,978 million. The Company expects that depending on 1 distributor will not affect the operation because M.K.S. Farm Company Limited is a subsidiary company with the same group of management.

Promotional Privileges

GFPT Public Company Limited was granted 3 investment promotional certificates from the Board of Investment, which include the benefits and privileges under sections 25, 26, 28, 31 paragraph 1, 31 paragraph 2, 31 paragraph 3, 31 paragraph 4, 34, 36(1), 36(2) and 37 of the Investment Promotion Act B.E. 2520. The privileges granted the exemption of import tariff of machinery. It also granted the exemption of corporate income tax on net profits from investment of promotional activities not exceed 100 percent of total investment of the project excluded the value of land and working capital for eight years commencing from the first day when the Company starts to earn income from the operation of promotional operation as follows:

<u>Certificate No.</u>	<u>Date</u>	<u>Type of Promotional Activities</u>	<u>The First Date</u>	<u>The Expiry Date</u>
1699(3)/2547	August 25, 2004	Finished Chicken Products	July 23, 2007	July 22, 2015
1329(2)/2552	April 24, 2009	Evisceration Chicken	July 1, 2011	June 30, 2019
1051(3)/2553	January 18, 2010	Finished Chicken Products	January 15, 2011	January 14, 2019

Feed mill

The business line of feed mill operates by Krungthai Food Public Company Limited ("KT"). The products of KT are animal feed for both land and aquatic animal. KT distributes land animal feed, especially chicken feed, to M.K.S. Farm Company Limited, Krungthai Farm Company Limited, GP Breeding Company Limited and P. Charoenphan Feedmill Company Limited as a related company and also other animal raisers in general. For the aquatic animal feed, KT distributes to aquatic animal raisers in general. The competition in feed mill business is not that intense because 64% of sales revenue came from related companies and the remaining 36% of sales revenue came from other companies. KT's core strength is its long-established operation, KT operates feed mill business for more than 35 years, and thus, the customers are confident of the Company's products. KT also



arranged academic professors to advice and guide on animal farming, consequently, gained more confidence from the customers. In addition, KT also operates parent chicken farming using evaporative cooling system, a closed system with automatic food and water feeding, to produce and sell broiler seed eggs to Krungthai Farm Company Limited.

Dependent on large or few customers

In the feed mill business, KT depends on large customers i.e. M.K.S. Farm Company Limited, Krungthai Farm Company Limited, GP Breeding Company Limited and P. Charoenphan Feedmill Company Limited. For the seed egg, KT relies on only one customer, which is Krungthai Farm Company Limited. In 2015, KT's sales revenue for chicken feed amounted THB 6,730 million and seed egg amounted THB 130 million. KT does not expect that large or few customers will have any impact on the business because the customers are related companies with the same group of management.

Promotional Privileges

Krungthai Food Public Company Limited, a subsidiary company, was granted 1 investment promotional certificates to produce seed eggs and 2 investment promotional certificates to produce feed mill and premix from the Board of Investment, which include the benefits and privileges under sections 25, 26, 28, 31 paragraph 1, 31 paragraph 3, 31 paragraph 4, 34 and 37 of the Investment Promotion Act B.E. 2520. The privileges granted the exemption of import tariff of machinery. It also granted the exemption of corporate income tax on net profits from investment of promotional activities not exceed 100 percent of total investment of the project excluded the value of land and working capital for eight years commencing from the first day when KT starts to earn income from the operation of promotional operation as follows:

<u>Certificate No.</u>	<u>Date</u>	<u>Type of Promotional Activities</u>	<u>The First Date</u>	<u>The Expiry Date</u>
1429(2)/2546	August 21, 2003	Seed Eggs	June 14, 2006	June 13, 2014
1850(2)/2548	September 20, 2005	Feed Mill Production and Premix	June 1, 2009	May 31, 2017
1173(2)/2553	February 16,2010	Feed Mill Production and Premix	July 12,2012	July 11, 2020

Farm Segment and Day-Old-Chicks Distribution

Farm business segment can be divided into 3 sub-categories as follows:

1. Grandparent Chicken Farm

The business line of grandparent chicken farm operated by GP Breeding Company Limited (“GP”) starting from purchasing grandparent chicks from abroad and raise them in an evaporative cooling system, a closed system with automatic food and water feeding, to produce and sell parent chicks to Krungthai Farm Company Limited and Krungthai Food Public Company Limited and other animal raisers both domestic and foreign market. The grandparent chicken farming business is very competitive but since GP is a subsidiary of GFPT that operates integrated poultry business, GP then does not compete with other companies in the industry.

Dependent on large or few customers

GP depends on 2 large customers i.e. Krungthai Farm Company Limited and Krungthai Food Public Company Limited. The purchase volume of parent stock in 2015 amounted THB 118 million. GP do not expect that large or few customers will have any impact on the business because the customers are related companies with the same group of management.

Promotional Privileges

GP Breeding Company Limited, a subsidiary company, was granted an investment promotional certificate to produce parent chicken type 1.5 animal breeding business from the Board of Investment, which include the benefits and privileges under sections 25, 26, 28, 31 paragraph 1, 31 paragraph 3, 31 paragraph 4, and 34 of the Investment Promotion Act B.E. 2520. The privileges granted the exemption of import tariff of machinery. It also granted the exemption of corporate income tax on net profits from investment of promotional activities not exceed 100 percent of total investment of the project excluded the value of land and working capital for eight years commencing from the first day when GP starts to earn income from the operation of promotional operation as follows:

<u>Certificate No.</u>	<u>Date</u>	<u>Type of Promotional Activities</u>	<u>The First Date</u>	<u>The Expiry Date</u>
1932(2)/2548	October 11, 2005	Primary Breeder Farm and Hatchery	September 9, 2006	September 8, 2014
1233(2)/2557	February 25, 2014	Primary Breeder Farm and Hatchery	December 1, 2014	November 30, 2022



2. Parent Chicken Farm

The business line of parent chicken farm operates by Krungthai Farm Company Limited (“FKT”) starting from purchasing broiler parent chicks from GP Breeding Company Limited and import egg laying parent chicks from abroad and raise them in an evaporative cooling system, a closed system with automatic food and water feeding, to raise and produce both broiler and egg laying chicks. FKT sells all broiler chicks to M.K.S. Farm Company Limited and egg laying chicks to Krungthai Food Public Company Limited and other general animal raisers that operates egg laying chicken farm. The parent chicken farming business is very competitive but since FKT is a subsidiary of GFPT that operates integrated poultry business, FKT then does not compete with other companies in the industry.

Dependent on large or few customers

FKT depends on 2 large customers i.e. M.K.S. Farm Company Limited and Krungthai Food Public Company Limited. The purchase volume of broiler and egg laying parent chicks in 2015 amounted THB 1,138 million. FKT does not expect that large or few customers will have any impact on the business because the customers are related companies with the same group of management.

Promotional Privileges

Krungthai Farm Company Limited, a subsidiary company, was granted 2 investment promotional certificates to produce parent chicken type 1.5 animal breeding business from the Board of Investment, which include the benefits and privileges under sections 25, 26, 28, 31 paragraph 1, 31 paragraph 3, 31 paragraph 4, and 34 of the Investment Promotion Act B.E. 2520. The privileges granted the exemption of import tariff of machinery. It granted the exemption of corporate income tax on net profits from investment of promotional activities not exceed 100 percent of total investment of the project excluded the value of land and working capital for eight years commencing from the first day when FKT starts to earn income from the operation of promotional operation as follows:

<u>Certificate No.</u>	<u>Date</u>	<u>Type of Promotional Activities</u>	<u>The First Date</u>	<u>The Expiry Date</u>
1187(2)/2553	February 24, 2010	Chicken Farm	None Income Yet	-
1591(2)/2553	June 8, 2010	Chicken Farm	August 22, 2013	August 21, 2021

3. Broiler farm

The business line of broiler farm operates by M.K.S. Farm Company Limited (“MKS”). The product is broiler, the raw material is the broiler chicks purchase from Krungthai Farm Company Limited, feed mix purchase from Krungthai Food Public Company Limited and other raw materials such as vaccine are purchase domestically.



The broiler chicks are raised in an evaporative cooling system, a closed system with automatic food and water feeding, until reaches 41 to 43 days then sells to GFPT Public Company Limited and GFPT Nichirei (Thailand) Company Limited (an associated company of GFPT). Therefore, broiler business is not competitive because major customers are GPFT (the parent company) and associated company of GFPT.

Dependent on large or few customers

MKS depends on 2 large customers i.e. GPFT and GFPT Nichirei (Thailand) Company Limited. The sales of broiler in 2015 amounted THB 4,978 million and THB 4,054 million, respectively. MKS does not expect that large or few customers will have any impact on the business because GFPT is a parent company with the same group of management and GFPT Nichirei (Thailand) Company Limited is an associated company.

Promotional Privileges

M.K.S. Farm Company Limited, a subsidiary company, was granted 11 investment promotional certificates to produce parent chicken type 1.5 animal breeding business from the Board of Investment, which include the benefits and privileges under sections 25, 26, 28, 31 paragraph 1, 31 paragraph 3, 31 paragraph 4, and 34 of the Investment Promotion Act B.E. 2520. The privileges so granted the exemption of import tariff of machinery and include exemption of corporate income tax on net profits for eight years and it also granted included exemption of corporate income tax on net profits from investment of promotional activities not exceed 100 percent of total investment of the project excluded the value of land and working capital for eight years commencing from the first day when MKS starts to earn income from the operation of promotional operation as follows:

<u>Certificate No.</u>	<u>Date</u>	<u>Type of Promotional Activities</u>	<u>The First Date</u>	<u>The Expiry Date</u>
1571(2)/2551	June 6, 2008	Broiler Farm	April 17, 2010	April 16, 2018
2085(2)/2551	November 19, 2008	Broiler Farm	October 8, 2010	October 7, 2018
1341(2)/2552	April 28, 2009	Broiler Farm	June 9, 2011	June 8, 2019
1470(2)/2552	June 5, 2009	Broiler Farm	June 5, 2011	June 4, 2019
1897(2)/2553	August 24, 2010	Broiler Farm	October 25, 2011	October 24, 2019
1898(2)/2553	August 24, 2010	Broiler Farm	August 30, 2014	August 29, 2022



<u>Certificate No.</u>	<u>Date</u>	<u>Type of Promotional Activities</u>	<u>The First Date</u>	<u>The Expiry Date</u>
2108(2)/2553	October 19, 2010	Broiler Farm	August 28, 2014	August 27, 2022
1674(2)/2554	June 9, 2011	Broiler Farm	December 23, 2014	December 22, 2022
2106(2)/2553	October 19, 2010	Broiler Farm	None Income Yet	-
2107(2)/2553	October 19, 2010	Broiler Farm	None Income Yet	-
1022(2)/2555	January 12, 2012	Broiler Farm	None Income Yet	-

Processed foods

The business line of processed food operates by GF Foods Company Limited ("GFF"). The products are sausages, chicken nuggets and other processed food under brand "GF Foods". The main market for this business is the distribution channel, fresh market and wholesalers/retailers. The processed food business is very competitive because sausages, chicken nuggets and other processed food will use chicken debris resulting from the cutting of the product. GFF main competitors are manufacturers and distributors of processed food.

Dependent on large or few distributors

GFF depends on 1 distributor which is GPFT Public Company Limited, a parent company, to purchase raw materials i.e. chicken debris to manufacture and distribute. The sales in 2015 amounted THB 496 million. GFF does not expect that large or few distributors will have any impact on the business because GPFT is a parent company with the same group of management.

2.2 Marketing and competition

Chicken Evisceration and Processed Chicken

(a) Marketing characteristic of the product

Significant competitive strategy

In marketing its products, the Company realized the importance of the quality. The Company had advantage over its competitors because of its 10 years extensive experience on the livestock sector. As a result, the quality of products is accepted by the customers. In addition, the Company has developed various products in accordance to the need of customers.

The Company's main policy is to manufacture value added products due to the higher cost of manufacturing in Thailand as compared to other competitors; therefore, if the products are common products, it will not be able



to compete with other countries. The Company focuses on manufacturing processed food that requires skilled labor, which the competitors in other countries still behind on skilled labor or some countries have high cost of labor. The Company also emphasizes on having production process to meet international standards and able to effectively trace the system back for error detection. Therefore, the Company has quality assurance in every production process to ensure product safety. A division has been set up to coordinate and monitor the shipping and storage to meet standard so that consumers and customers are confident of the quality of our products, hence, increases the Company's competitive advantage in the export market.

Nature of customers

Customers in the domestic market can be categorized into 3 groups as follow:

Group 1 Customers that are subsidiaries or associated companies such as GF Foods Company Limited (a subsidiary of GFPT) that purchases chicken parts that came from products trimming to manufacture sausages and other processed products accounted for 12% of domestic sales and 2 associated companies i.e. McKey Food Services (Thailand) Company Limited and GFPT Nichirei (Thailand) Company Limited accounted for 29% of domestic sales and 3% of domestic sales, respectively. The 2 associated companies purchase chicken parts to manufacture and sell to both domestic and export market.

Group 2 Customers that are manufacturer of processed food. This group of customers will purchase chicken parts and manufacture processed or semi-processed food for export to foreign countries, accounted for 8% of domestic sales

Group 3 Customers that are wholesalers/retailers, who purchase products from the Company on a daily basis to sell to consumers, accounted for 48% of domestic sales.

As for customers in the foreign market, the Company export chicken meat to foreign countries including Japan, the European Union, Hong Kong and Singapore.

Target customers

The Company's target customers are consumers of meat in both domestic and foreign market.

Distribution and distribution channel

Products of GFPT distribute in both domestic and foreign market under the brand of "GFPT" and customers own trademark, accounted for 57% share of the domestic market and 43% share of the foreign markets.

For domestic market, most products are by-products of chicken evisceration such as chicken feather, head, bones, meat and leather scraps. The customers are wholesalers/retailers that purchases products on a daily



basis and sell it to the customers. Another part is selling export quality products to processed food manufacturers for exports. A subsidiary company, GF Foods Company Limited, buys chicken meat to manufacture sausages and an associated company, McKey Food Services (Thailand) Company Limited and GFPT Nichirei (Thailand) Company Limited buy chicken meat to manufacture fried chicken, chicken burger or nuggets.

For export market, GFPT sells products directly to customers. The main importers of our products are Japan and the European Union countries.

(b) Competitive conditions within the industry

For the competition in the domestic market, most operators that own slaughterhouses have fully integrated business, which include feed mill, breeder farm and chicken farm.

GFPT is considered to be one of the top operators in Thailand as compare to other companies. GFPT operates fully integrated poultry business that covers feed mill, chicken farm and slaughterhouse. GFPT has advantages from being fully integrated business; includes the ability to control quality, ability to process chicken evisceration by owning chicken farm as well as develop new techniques and effectively control production volume to be consistent with the market demand.

For the competition in the export market, the major competitors in the processed food business are Brazil, China and the United States of America. At present, the export market depends on the competitive advantage of each country such as cost of manufacturing, freight, and quality of products. Thailand is considered to have advantage over cost of manufacturing, quality and the effective product modification to match the customers' demand; consequently, Thailand export market grew every year.

(c) The Overview of Broiler Business in 2015 and Prospect for 2016

Situation in 2015

Production

In 2015, most of major broiler producing countries were able to expand their broiler productions. The slow growth of world economy helped encourage demand for chicken meat, a cheaper and lower fat content protein food, to replace other types of meat product. Moreover, the growing concern on health among consumers had also helped increase demand for chicken meat as source of low cholesterol meat products. However, the occasional recurrences of Avian Flu outbreak in some parts of the world were still an obstacle to the expansion of production and export in those contaminated countries.



Total world broiler production was approximately 87.94¹ million tons in 2015, an increase of merely 1.61% from the previous year. The United States was still the world's largest broiler raiser followed by Brazil, China, and the European Union respectively.

The United States produced approximately 17.97¹ million tons of chicken meat in 2015, an increase of only 3.86% from 2014. The chicken meat production in Brazil, the next major producer, increased from 2014 by 3.06% to 13.08¹ million tons during the same period. China, the world's third largest producer, produced 13.03¹ million tons of chicken meat which increased from 2014 by 0.19%. Lastly, the EU which was the world fourth largest producer produced approximately 10.60¹ million tons of chicken meat in 2015, an increase of 2.61% from the previous year.

As for Thailand, approximately 1,310.58² million broilers were raised in 2015 which accounted for about 1.80² million tons of chicken meat, an increase of around 8.35%² from 2014. The production growth was partly due to the recurrence of Thai frozen chicken meat export to the EU and Japan after the lifting of the ban on that item in 2004, combined with the expansion of broiler production capacity of domestic producers continuously.

Market Situation

Domestic Market

Thai economy in 2015 grew minimally due to some external negative factors such as the slow economic recovery in many countries which had been Thai major exporting markets including the European Union, the United States and Japan. Moreover, there were also internal negative factors especially the declining of growth and consumption expenditure as a result of decreasing prices of agricultural products which were sources of income for the most part of Thai population. Despite those negative factors, domestic consumption of chicken meat product in 2015 was approximately 1.20² million tons which increased by 7.56%² from the previous year.

The consistent rising of domestic demand was partly the result of the relatively low price of chicken meat compared with other types of meat products. Since consumption expenditures of most consumers were rather limited during the economic slowdown, chicken would clearly be one of their optimum choices of meat consumption. The growing concern on health among Thai consumers also induced them to substitute beef and pork with chicken meat which contain lower fat and lower cholesterol. Furthermore, competition in the growing fast food business was also help raising domestic demand because chicken meat was widely used as part of raw material in various chained fast food outlets. However, the pork price in 2015 was relatively low which affected lower demand of chicken meat.

¹ United States Department of Agriculture

<http://usda.mannlib.cornell.edu/usda/current/livestock-poultry-ma/livestock-poultry-ma-10-09-2015.pdf>

² รายงานสถานการณ์สินค้าเกษตรที่สำคัญและแนวโน้ม ปี 2559, Office of Agricultural Economics

http://www.oae.go.th/download/document_tendency/journalofecon2559.pdf



Export Market

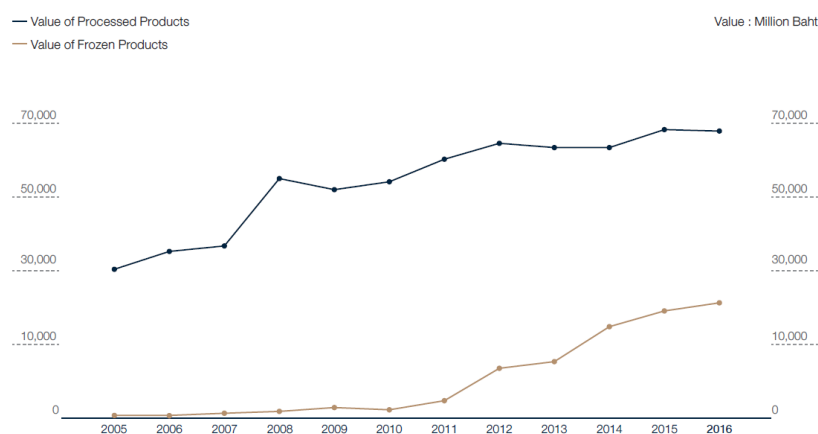
Volume of chicken meat export in 2015 was about 681,073³ tons, an increase of 17.53%³ from 2014, while its value increased by 12.58%³ to reach 88,914³ million Baht. Although most of the export was still the processed chicken products, export of frozen chicken meat had increased fairly by 38.95%³ compared with 9.73%³ increased of processed chicken products export. The increase was caused by the lifting of import ban on Thai frozen chicken meat by the European Union and Japan.

As for the export market, Japan was the most important market of Thai chicken meat products. In 2015, export of chicken meat products to Japan was approximately 325,442³ tons, an increase of approximately 30.65%³ from previous year. Its proportion to overall chicken meat export was also increasing from 42.99%³ in 2014 to 47.78%³ in 2015. The high export increase was mainly due to the lift of import ban on Thai frozen chicken meat by Japan. Furthermore, the Avian Flu outbreak in some countries helped make the Avian Flu-free products from Thailand highly acceptable.

Export to the EU, the second largest market of Thai chicken meat export increased by only 3.40%³ from 2014 to reach 280,345³ tons in 2015. Its share of overall chicken meat export declined from 46.79%³ to 41.16%³ during the same period.

Besides these two major markets, the export of Thai chicken meat products to other countries in 2015 was approximately 75,286³ tons, an increase of 27.10%³ from previous year. Despite the intense competition, the Avian Flu outbreak in some major exporting countries helped make Thai products more attractive. Furthermore, the export was also benefited from the continually depreciation of Thai Baht.

The Value of Exports Comparison (2005 - 2016F)



³ Thai Broiler Processing Exporters Association <http://www.thaipoultry.org/STATISTIC/tabid/248/Default.aspx>



Prospects for 2016

Production

Thai chicken meat production in 2016 tends to increase from 2015 by approximately 0.50%. The estimated production is about 1,317.13 million broilers or 1.81 million tons of chicken meat. The slightly increasing in production is the result of import ban on the US grandparent stock in the late 2014 due to the Avian Flu outbreak in that country.

The slightly increasing in production is a necessary adjustment process to balance the broiler supply with its demand. It will not affect domestic consumption or export of chicken meat products in the long run. The estimated production is only temporary since the economic growth will help raise the consumption while the export will grow continually because of the competitive potentiality of Thai chicken meat products in the world market.

However, there are many obstacles and risks that may adversely affect the production and push it lower than expectation. Such obstacles include more intense competition and trade barriers in the international market. Another risk is the possibility of worldwide droughts that may lead to crop damages and hence the higher prices of animal feed raw materials. As a result, cost of animal feed and hence the cost of broiler production may increase.

Market Situation

The expected political stability will help support the growth of Thai economy in 2016. Although the economy may grow minimally, domestic market for chicken meat products is expected to rise because chicken meat is a better choice for consumer who prefers rich nutrient diet at reasonable price. Furthermore, growth of international tourist as a result of the continually tourism promotion will also help stimulate demand for various types of processed chicken meat products. It is expected that domestic demand for chicken meat in 2016 will be approximately 1.26⁴ million tons, an increase of 5.53%⁴ from 2015.

Since the export growth in 2015 is rather high, it is expected that growth in 2016 may be slow down slightly and export volume will increase by 2.78%⁵ to approximately 700,000⁵ tons. However, there are many supporting factors that may help the growth of chicken meat export especially the expected growth of world economy and confidences of the importers and consumers in foreign markets on hygienic standard of Thai products.

However, the real growth of export market depends on various positive and negative factors as follows.

⁴ รายงานสถานการณ์สินค้าเกษตรที่สำคัญและแนวโน้ม ปี 2559, Office of Agricultural Economics
http://www.oae.go.th/download/document_tendency/journalofecon2559.pdf

⁵ Thai Broiler Processing Exporters Association <http://www.thaipoultry.org/STATISTIC/tabid/248/Default.aspx>

**Positive Factors**

- Countries that impose import ban on Thai frozen chicken meat have continually lifted those ban due to the efficacy of both the government and Thai private sectors to deal with the Avian Flu outbreak. As a result, the chance of expanding Thai chicken meat export is brightened especially in the major export markets including the EU, Japan and the ASEAN. Moreover, the Avian Flu outbreak in many parts of the world helps make the Avian Flu-free products from Thailand highly competitive
- Falling oil price not only helped reduce the cost of broiler production and its transportation cost but also lowered demand for renewable energy such as gasohol and biodiesel. As a result, prices of crops used to produce these sources of energy would not be drove up like in the past 3-4 years. Since most of these crops are also used as animal feed raw materials, cost of animal feed production should be more reasonable
- The ability of Thai exporter to develop processed chicken meat products to meet consumer demand are well recognized in the principal and high purchasing power markets such as Japan and the EU. Furthermore, the high standard also raises competitive potential of Thai chicken meat products in other countries including the neighboring ASEAN members, South Africa, the Republic of Korea and Russia

Negative Factors

- Brazil currency that tends to depreciate will help enhance competitive advantage in chicken meat export of this major exporting country.
- Global warming may lead to severe draught in many parts of the world especially the countries in which animal feed raw materials are largely produced. Lower production of animal feed raw materials will cause their prices to rise so that cost of animal feed as well as cost of broiler raising will inevitably increase.
- Since Thailand still cannot reach the agreement with the European Union to increase its allocated import quota of cooked chicken meat, export of this product to the European Union may not be able to increase further since the out-of-quota tariff is too high.
- The nationwide increase of minimum wage rate to 300 Baht per day has raised the production cost of chicken meat products. As a result, the competitiveness of Thai export will be reduced when compare with other competing countries of which their minimum wage rates do not change.



- Although the Avian Flu outbreak has been efficiently brought under control in Thailand, the occasionally reoccurring of the outbreak in other countries pose a serious threat to Thai chicken meat export. Therefore, it is the risk that both government and its business counterpart have to strictly monitor.

Export of Thai Chicken Meat Products to Important Markets (2014 – 2016)

Market	2014		2015*		2016**	
	Volume (ton)	Proportion (%)	Volume (ton)	Proportion (%)	Volume (ton)	Proportion (%)
Japan	249,103	42.99	325,442	47.78	340,000	48.57
EU	271,130	46.79	280,345	41.16	280,000	40.00
Others	59,233	10.22	75,286	11.06	80,000	11.43
Total	579,466	100.00	681,073	100.00	700,000	100.00

Source: Thai Broiler Processing Exporters Association.

* Estimated

** Forecasted



Volume and Value of Thai Chicken Meat Export

Unit in Volume: ton and Unit in Value: million Baht

Year	Frozen		Processed Product		Total	
	Volume	Value	Volume	Value	Volume	Value
2002	336,837	24,589	127,406	16,244	464,243	40,833
2003	388,913	28,105	157,074	19,763	545,987	47,868
2004	26,137	1,725	191,739	22,408	217,876	24,133
2005	96	6	276,438	31,929	276,534	31,935
2006	2,662	97	294,295	35,742	296,957	35,839
2007	11,052	522	322,471	36,791	333,523	37,313
2008	14,367	862	387,127	54,567	401,494	55,429
2009	18,260	1,242	378,809	51,492	397,069	52,734
2010	17,054	1,147	418,005	53,805	435,059	54,952
2011	27,258	1,881	435,267	60,290	462,525	62,171
2012	89,411	6,491	462,951	64,394	552,362	70,885
2013	89,092	7,776	436,590	63,168	525,682	70,944
2014	154,759	15,653	424,707	63,324	579,466	78,977
2015*	215,045	19,655	466,028	69,259	681,073	88,914
2016**	234,000	21,745	466,000	69,255	700,000	91,000

Source: Thai Broiler Processing Exporters Association. (* Estimated, ** Forecasted)

Production and Domestic Consumption

Year	Production (million birds)	Production (metric ton)	Change (%)	Consumption (metric ton)	Change (%)
2011	994.32	1,362,997	2.41	896,152	-0.29
2012	1,055.13	1,446,352	6.12	908,251	1.35
2013	1,103.32	1,512,418	4.57	1,008,012	10.98
2014	1,209.52	1,657,994	9.63	1,112,435	10.36
2015*	1,310.58	1,796,515	8.35	1,196,515	7.56
2016**	1,317.13	1,805,498	0.50	1,262,667	5.53

Source: Office of Agricultural Economics

Remark: *Primary data **Forecasted data (Company forecast)



Feed mill

(a) Marketing characteristic of the product

Significant competitive strategy

In marketing its products, KT realized the importance of the quality. KT had advantage over its competitors because of its 35 years extensive experience on the livestock sector. As a result, the customers accepted the quality of products. In addition, KT has developed various products in accordance to the need of customers. KT also emphasizes on having production process to meet international standards and able to effectively trace the system back for error detection. Therefore, KT has quality assurance in every production process to ensure product safety. A division has been set up to coordinate and monitor the shipping and storage to meet standard so that consumers and customers are confident of the quality of our products. Moreover, the Group operates fully vertical integration of livestock starting from feed mill, grandparent chicken farm for parent day-old-chick production, parent chicken farm for broiler production, and slaughter and processing house which is the key strategy and support products' reliability.

Nature of customers

Customers can be categorized into 2 groups as follow:

Group 1 Customers that are affiliated companies such as M.K.S. Farm Company Limited, Krungthai Farm Company Limited, GP Breeding Company Limited and P. Charoenphan Feedmill Company Limited those buy only chicken feed.

Group 2 General customers who are animal raisers, both land and aquatic animals.

Target customers

KT's target customers who are affiliated companies that accounted for 64% and general animal raisers both domestic and export market that accounted for 36%.

Distribution and distribution channel

Feed mill distributes under KT's brand. The distribution channels include sells directly to related companies, animal raisers and sells to wholesalers/retailers for resale.

**(b) Competitive conditions within the industry**

There are more than 60 feed mill operators in Thailand, therefore, the market is highly competitive. However, Being an expert with long-term experience and widely accepted quality of products, KT has high potential in competition and is one of the leading company in feed industry. Moreover, 64% of sales revenue came from affiliated companies, the rivalry of KT is not intense.

(c) The overview of feed industry and future outlook**Situation in 2015****Overview**

The rising of chicken meat export throughout the year 2015 helped raised demand for animal feeds and kept the animal feed business grow moderately. However, there were some obstacles against the growth of animal feed industry especially the rising prices of some raw materials such as maize and fishmeal and the lower than expected economic growth due to the political instability. Furthermore, the drop in domestic purchasing power as well as the rather slow economic recovery in the major exporting countries such as the EU and Japan were altogether adversely affected the growth of Thai animal feed business.

Total demand for animal feed in Thailand was approximately 17,933,347⁶ tons in 2015, an increase of 7.04%⁶ from 2014. Demand for animal feed of broiler-raising business had the highest share of about 33.99%⁶ of total feed products. Next to the broiler-raising, swine and layer hen raising business demanded about 27.14%⁶ and 11.99%⁶ of total animal feed produced in 2015 respectively. Since demand for animal feed of these three businesses altogether shared more than 70% of the yearly total demand, their business growth would be an important stimulus for the development of animal feed industry. On the other hand, if these businesses encounter any critical problem, animal feed production would inevitably face serious difficulty.

About 6,095,520⁶ tons of animal feed were used for broiler raising in 2015, an increase of 10.94%⁶ from the previous year. Swine raising business used approximately 4,867,500⁶ tons of animal feed which increased by 3.13%⁶ from 2014 while layer hen raising which shared the third largest demand used about 2,149,600⁶ tons of animal feed, up 5.37%⁶ from the previous year.

⁶ Thai Feed Mill Association, <http://www.thaifeedmill.com/tabid/56/Default.aspx>



Demand for main feed ingredients

The growth of animal feed business as a result of the expansion of livestock farming had caused demand for its raw materials to increase, especially demand for main ingredients of most animal feed products such as maize, soybean meal and fishmeal. Although these raw materials could be produced domestically, they had to be imported in large amount due to excessive demand. Moreover, productive potential of some raw material is insufficient especially soybean which is used to produce soybean meal. In addition, most fishmeal product uses local raw material that has protein content less than what should be appropriate for animal feed production. As a result, growth of domestic supplies are not sufficient to meet demand for animal feed raw materials and considerable amount of them have to be imported each year. However, the government policy that has been rarely changed and likely to relax the control on import of raw materials helps the animal feed producers plan their production and import correctly and lessen the adversely effects arose from the volatility of raw material prices.

1. Maize

Animal feed business needed approximately 7,594,237.10⁶ tons of maize in 2015, an increase of 7.96% from 2014. This demand level was higher than domestic supply so that at least 100,000 tons of maize had to be imported in 2015.

In order to protect maize farmers, the import of maize must be in accordance with the following criteria set by the government.

- Import quota on maize from the WTO member countries is at 54,700 tons and the state-run Public Warehouse Organization was the sole authorized importer. In-quota import is subjected to 20% tariff. The non-quota import has to pay 73% tariff duty plus surcharge of 180 Baht per ton.
- Import from members of ASEAN Free Trade Area (AFTA) pay 0% tariff duty but time of import is limited to during February 1 to August 31 of 2015.
- Import under the contract farming scheme with neighboring countries and under the Ayeyawady – ChaoPhraya - Mekhong economic cooperation strategy (ACMECS) were subjected to 0% import tariff but time of import is limited to during March 1 to July 31 of 2015.
- Import in accordance with the Free Trade Agreement between Thai-New Zealand and Japan -Thailand Economic Partnership Agreement (JTEPA) is subjected to 0% import tariff.
- Import in accordance with the Free Trade Agreement between Thai-Australia within the quota of 7,696.84 tons was subjected to 10.67% import tariff. Only Public Warehouse Organization



was the sole authorized importer. As for the out-of-quota import, time duration and amount was not limited but it will be subjected to 65.70% import tariff.

- Import in accordance with the Free Trade Agreement between ASEAN - Japan (AJCEP) is subjected to 12.70% tariff if import during January 1 to March 31 of 2015. However, the import during April 1, 2015 to March 31, 2016 is subjected to only 5.50% import tariff.
- Import in accordance with the Free Trade Agreement between ASEAN – Korea (AKFTA) is subjected to 2.22% import tariff.
- Import other than as stated above pay 2.75 Baht per kilogram of import tariff plus surcharge of 1,000 Baht per ton.

2. Soybean Meal

Animal feed business demanded approximately 4,350,649.60⁶ tons of soybean meal in 2015. Although the demand was higher than the previous year by 7.68% it was still too high to be sufficiently supplied by domestic soybean meal which was a by-product of the soybean extracting industry. As a result, large amount of soybean meal had to be imported. The major sources of these imports were Argentina, Brazil, the United States, and India.

In 2015, the government policy on import of soybean meal was as follow:

- Import from WTO member countries within the arranged quota is restricted to be made only by specified association and organization such as Thai Broiler Processing Exporters Association, Animal Feed Producers Association of Thailand, etc. These associations are authorized to import soybean meal from WTO members under the minimum allowance condition with no limit on quantity and duration of import. These authorized importers pay only 2% tariff duty while others who import beyond quota limit or unauthorized importers had to pay high tariff duty of 119%. However, these authorized importers have to sign contract with the Ministry of Agricultural and Cooperative to buy from vegetable oil extracting industry all domestic soybean meal produced from Thai soybean at the guaranteed price.
- Import from members of ASEAN Free Trade Area (AFTA) pay tariff duty of 0% with no quota and time limit.
- Import from Australia and New Zealand in accordance with the Free Trade Agreement (FTA) and import in accordance with Japan -Thailand Economic Partnership Agreement (JTEPA) is subjected to 0% tariff duty.



- In-quota import from Korea in accordance with ASEAN-Korea Free Trade Agreement (AKFTA) is subjected to 1.11% tariff duty.
- Import from countries other than those specified above was not subjected to quota and time limit but the tariff rate was high at 6% plus the surcharge of 2,519 Baht per ton.

3. Fish Meal

In 2015, animal feed industry had to use approximately 703,538.30⁶ tons of fish meal as its raw material, an increase of 8.86% from the previous year. Because of the insufficient local product, however, it is necessary that fish meal had to be imported. Import of fishmeal with protein content less than 60% had to get import permission from the government. Quantity and duration of import of fishmeal with protein content more than 60% was not restricted but import tariff was set in accordance with importing sources as follow:

- Import from members of ASEAN Free Trade Area (AFTA) and import in accordance with the Free Trade Agreement between Thai - Australia and Thai-New Zealand was subjected to 0% tariff duty.
- Import in accordance with the Free Trade Agreement between ASEAN - China and ASEAN – Australia - New Zealand is subjected to 0% tariff duty.
- In-quota import from Korea in accordance with ASEAN-Korea Free Trade Agreement (AKFTA) is subjected to 10% tariff duty.
- Import from sources other than specified above is subjected to 15% import tariff for the fishmeal with protein content more than 60%. Fishmeal with protein content less than 60% is subjected to 6% import tariff.

Trend for 2016

It is forecasted that more political stability would moderately raise Thai economic growth in 2016 and hence the animal feed industry. Moreover, the continually falling of oil price has helped reduce the cost of production and transportation so that the animal feed business is benefited. The tendency to recover from economic recession of important export markets for Thai products would also support the growth of livestock production business and hence the animal feed industry. Total demand for animal feed in 2016 is forecasted to be approximately 18,627,700⁶ tons, an increase of 3.87% from 2015. This total demand may be classified in accordance with the main feed raw materials that there will be 734,304.30⁶ tons of demand for fishmeal, 4,503,161.90⁶ tons of demand for soybean meal, 7,815,482.10⁶ tons of demand for maize and 1,671,192.80⁶ tons of demand for broken-milled rice.

Broiler-raising business will use highest proportion of animal feed produced in 2016. It is forecasted that this business will use about 6,195,480⁶ tons of animal feed or 33.26% of total feed demand. Next to the



broiler-raising, demand for animal feed of swine and layer hen raising business will be approximately 5,256,900⁶ tons and 2,216,000⁶ tons, which will respectively be 28.22% and 11.90% of the total animal feed produced in 2016.

At this forecasted level of demand, feed raw materials especially maize, soybean meal, and fish meal may have to be imported at amount not less than in 2015. It is also expected that the measures imposed on the import of animal feed raw materials in 2016 would not be different from those in the previous year.

In conclusion, the expansion and growth potential of Thai animal feed industry in 2016 will depend on factors that may cause positive effects as well as negative effects on the industry as follow:

Positive factors

- The expected growth of Thai economy and the rising tendency of domestic demand as well as international demand for livestock products in 2016 should stimulate demand for animal feed and hence the growth of animal feed industry. Furthermore, since the Avian Flu outbreak in Thailand has been efficiently brought under control, countries that used to impose import ban on Thai frozen chicken meat have officially lifted the ban. Regain of the frozen chicken meat export would brighten Thailand's export outlook especially in its major markets such as The European Union, Japan and the ASEAN. As a result, animal feed industry will grow accordingly.
- Falling oil price not only helped reduce the cost of production and transportation cost of animal feed industry, it also lowered demand for renewable energy such as gasohol and biodiesel. Therefore, prices of crops used to produce these sources of energy would not be driven up like in the past 3-4 years. Since most of these crops are also used as animal feed raw materials, cost of animal feed production should be more reasonable.
- Government policy concerning the import of animal feed raw materials which is likely to provide more support on livestock raising business would also be helpful for animal feed industry.

Negative factors

- Global warming phenomenon may cause draught in many parts of the world especially in the countries that produce animal feed raw materials. Therefore, prices of these raw materials may rise and so the cost of producing animal feed.
- Although the Avian Flu outbreak has been efficiently brought under control in Thailand, the occasionally reoccurring of the outbreak in other countries pose a serious threat to Thai chicken meat export as well as the animal feed industry. Therefore, it is the risk that both government and its business counterpart have to strictly monitor.



- Although the import of main feed raw materials is more liberated, many import restriction measures imposed by the government still exist. These measures may raise the cost of animal feed production so high that the competitive potential of Thai livestock products would be worsen.

Estimated Demand for Animal Feed (2014-2016)

Volume: ton

Animal Populations	2014		2015		2016*	
	Volume of feed	Share (%)	Volume of feed	Share (%)	Volume of feed	Share (%)
Broiler	5,494,500	32.79	6,095,520	33.99	6,195,480	33.26
Parent	772,632	4.61	854,784	4.77	868,896	4.66
Pullet layer	927,622	5.54	977,383	5.45	1,010,244	5.42
Layer	2,040,000	12.18	2,149,600	11.99	2,216,000	11.90
Parent layer	28,800	0.17	30,400	0.17	31,200	0.17
Pig	4,720,000	28.17	4,867,500	27.14	5,256,900	28.22
Parent pig	883,500	5.27	920,700	5.13	957,900	5.14
Duck	264,600	1.58	264,600	1.48	264,600	1.42
Parent duck	22,995	0.14	22,995	0.13	22,995	0.12
Layer duck	169,000	1.01	195,000	1.09	214,500	1.15
Cow	620,865	3.71	620,865	3.46	620,865	3.33
Shrimp	300,000	1.79	390,000	2.17	435,000	2.34
Fish	509,980	3.04	544,000	3.03	533,120	2.86
Total	16,754,494	100.00	17,933,347	100.00	18,627,700	100.00

Source: Thai Feed Mill Association <http://www.thaifeedmill.com/tabid/56/Default.aspx>

Note: *Forecasted

**Estimated Demand for Animal Feed Raw Materials (2014-2016)**

Volume: ton

Raw Materials	2014	2015	2016*
Fish Meal	646,255.3	703,538.3	734,304.3
Soybean Meal	4,040,519.3	4,350,649.6	4,503,161.9
Maize	7,034,135.8	7,594,237.1	7,815,482.1
Broken-Milled Rice	1,512,132.8	1,568,772.8	1,671,192.8

Source: Thai Feed Mill Association <http://www.thaifeedmill.com/tabid/56/Default.aspx>

Note: *Forecasted

Grandparent Chicken Farm**(a) Marketing characteristic of the product****Significant competitive strategy**

GP sells parent chicks to related companies i.e. Krungthai Food Public Company Limited and Krungthai Farm Company Limited and general animal raisers that operate parent chicks farming both domestic and foreign market. GP emphasizes on quality of products to meet international standards and control of cost of production in order to gain competitive advantage.

Nature of customers

Customers of GP are related companies and general customers both in the domestic and foreign market.

Target customers

Customers of GP are related companies and general customers both domestic and foreign market.

Distribution and distribution channel

GP distributes parent chicks to Krungthai Farm Company Limited and Krungthai Food Public Company Limited and to general customers both in the domestic and foreign market directly without any distributors.

(b) Competitive conditions within the industry

This industry is highly competitive, the competitors are the same group that export chicken. However, GP has got strengths of being in the fully vertical integration of livestock group and about 56% of DOC sales is sold to related company, the rivalry among competitors is not intense.



Parent Chicken Farm

(a) Marketing characteristic of the product

Significant competitive strategy

FKT sells broiler chicks to related companies i.e. M.K.S. Farm Company Limited and sells egg laying chicks to Krungthai Food Public Company Limited and to general animal raisers that operates egg laying chicken farm. FKT emphasizes on quality of products to meet international standards and control of cost of production in order to gain competitive advantage.

Nature of customers

FKT sells broiler chicks to only 1 customer, M.K.S. Farm Company Limited, a related company with the same group of major shareholder. For egg laying chicks, the Company sells to Krungthai Food Public Company Limited, a related company, and to the general customers that operates egg laying chicken farm business.

Target customers

Customers of FKT are related companies and general customers that operate egg laying chicken farm business.

Distribution and distribution channel

FKT distributes to customer including M.K.S. Farm Company Limited and Krungthai Food Public Company Limited and to general customers that operate egg laying chicken farm business.

(b) Competitive conditions within the industry

This industry is highly competitive, the competitors are the same groups that export chicken. However, FKT has got strengths of being in the fully vertical integration of livestock group and about 99.67% of DOC sales is sold to related company, the rivalry among competitors is not intense.

Broiler Farm

(a) Marketing characteristic of the product

Significant competitive strategy

MKS sells all broilers to GFPT Public Company Limited (parent company) and GFPT Nichirei (Thailand) Company Limited (joint venture company of GFPT). MKS distributes broilers to only 2 companies, which both are related companies, consequently, there is no competition in this business. The main strategy is MKS's extensive experience in this business for many decades, therefore, gained customers' confident on the quality



of products. Nonetheless, MKS emphasizes on quality of products to meet international standards and control of cost of production in order to gain competitive advantage.

Nature of customers

Customers of MKS are GFPT Public Company Limited, a parent company, and GFPT Nichirei (Thailand) Company Limited, a joint venture company with the parent company.

Target customers

Customers of MKS are the parent company and a joint venture company with the parent company. All broilers produced by MKS are purchased by both companies to eviscerate and process as processed food and sell it in both domestic and foreign markets.

Distribution and distribution channel

MKS distributes goods in the domestic market through GFPT Public Company Limited and GFPT Nichirei (Thailand) Company Limited.

(b) Competitive conditions within the industry

MKS does not face any competition in this industry because MKS sells all broilers to the parent company and a related company (joint venture company with the parent).

Processed Food

(a) Marketing characteristic of the product

Significant competitive strategy

The marketing strategy on determining the selling price depends on the commodity price of chicken in the domestic market. However, since the Company only buys chicken meat from the parent company, the Company is able to estimate cost and control quality of raw material. The Company also focuses on meeting the international standards to ensure quality and safety of the products. The Company emphasizes on responding to the customers need and develop new product to meet the behavioral changes of the consumers, as well as, expanding the distribution channel to reach even more to consumers. As a result, the Company gained competitive advantage over the competitors in the same industry.



Nature of customers

Customers can be categorized into 2 groups as follow:

Group 1 Customers in the fresh market are like middlemen who sell in both wholesale and retail. Most of them have their own shops. Customers of this group are educational institutions, bakery shops, food vendors and etc.

Group 2 Customers in provincial areas are middlemen and dealers who act like distribution center. Their purchases are likely to be high. This group of customers may or may not have their own shops and cold storage. They sell in both wholesale and retail to educational institutions, bakery shops, food vendors, hotels, and etc.

Target customers

General consumers who favor sausages and other processed food and wholesaler/retailers.

Distribution and distribution channel

Products of GF Foods Company Limited distributes in Bangkok and other provinces by having distribution centers or branches in 12 provinces such as Nakhonpathom, Ubonratchathani, Bureerum, Nakhonsawan, Lampang, Tak, Phitsanulok, Petchaburi, Phuket, Suratthani, Chiangrai and Songkla, etc. under the brand “GF Foods”. The customers are wholesales/retailers or general consumers.

(b) Competitive conditions within the industry

Processed food made from chicken such as sausages are popular because of its high in protein, convenient and fast to consume. The general market is the domestic market. The demand of sausages consumption is in an upward trend due to the consumers' behavioral and life style changes. Therefore, operators in the processed food industry expand its manufacturing capacity to produce ready to eat food, consequently, higher competition within the industry.



2.3 Sourcing of products

Chicken Evisceration and Processed Chicken

The Company buys raw material (chicken) only from M.K.S. Farm Company Limited, a subsidiary company. The Company has 1 slaughter house located in Samutprakarn with the production capacity of 154,000 tons in 2015.

Environmental impact

There is minimum environmental impact occurs from chicken evisceration, however, there will be remains left over from the production. The Company manages the chicken remains by having wastewater treatment to control the water quality before flow into the public water supply. The Company is aware and conscious of being a part of the society by having socially responsible activities with the locals, policies to manufacture environmentally friendly products and services, comply with environmental laws, promote activities that protect the environment and conserve energy, as well as, policies to promote the use of environmentally friendly products. In the past 3 years, the Company has never received a complaint or a lawsuit or a dispute about environmental issue.

Feed mill

KT buys raw material such as corn, soybean residue, protein from plants and other ingredients of animal feed from both inside Thailand and import from other countries depending on the domestic supply and commodity price. KT faced shortage of raw materials used in the manufacture of animal feed due to insufficient supply of corn and soybean residue in the domestic market, thus, the Company will have to rely on import of raw materials from other countries. Furthermore, there is other limitation in raw material sourcing including import quota measures, price measures, and tax measures.

At present, KT has 4 factories that manufacture animal feed, which consisted of 1 factory producing land animal feed and 2 factories producing aquatic animal feed. All 3 factories are located in the same area in Samutprakarn province with total capacity in 2015 of 599,000 tons. The other factory producing land animal feed located in Ban Bueng, Chonburi has capacity of 512,000 tons. In addition, KT also have parent chicken farm to produce seed eggs to Krungthai Farm Company Limited. In 2015, KT has capacity to produce 21 million seed eggs from 3 farms in Chonburi.

Environmental impact

The manufacturing of animal feeds may cause dust and smell in the surrounding areas. KT is aware of this impact and implemented preventive measures, as a result, in the past years, KT has not faced any complaints from the surrounding areas. The water use to produce animal feeds and parent chicken farm do not have any environmental impact because of the implementation of an evaporative cooling system. Husks are used as foundation in the animal house, thus, great effect on the growth of animals and eliminate the smell. Trees are



planted in some part of area to provide natural shade. Also, there is wastewater treatment to control the quality of water and convert it to clean water before flowing into the public water supply. KT is aware and conscious of being a part of the society by having socially responsible activities with the locals, policies to manufacture environmentally friendly products and services, comply with environmental laws, promote activities that protect the environment and conserve energy, as well as, policies to promote the use of environmentally friendly products. In the past 3 years, KT has never received a complaint or a lawsuit or a dispute about environmental issue.

Grandparent chicken farm

GP imported grandparent chicken from abroad to produce parent broiler stock and sells it to Krungthai Farm Company Limited and Krungthai Food Public Company Limited, which are related companies. In 2015, the Company's capacity to produce parent chicks is 1.64 million chicks by having 1 farms located in Chonburi province.

Environmental impact

Grandparent farming needs to be certified by the Department of Livestock Development, Ministry of Agriculture and Cooperatives in regards to the best practice of chicken farming and hatchery, this business does not have any environmental impact because of the implementation of an evaporative cooling system. Husks are used as foundation in the animal house, thus, great effect on the growth of animals and eliminate the smell. Trees are planted in some part of area to provide natural shade. Also, there is wastewater treatment to control the quality of water and convert it to clean water before flowing into the public water supply. GP is aware and conscious of being a part of the society by having socially responsible activities with the locals, policies to manufacture environmentally friendly products and services, comply with environmental laws, promote activities that protect the environment and conserve energy, as well as, policies to promote the use of environmentally friendly products. In the past 3 years, GP has never received a complaint or a lawsuit or a dispute about environmental issue.

Parent chicken farm

FKT buys broiler parent chicks from GP Breeding Company Limited, a related company, to produce broiler chicks. Egg laying parent chicks are imported from abroad to produce egg laying chicks. The Company has total 6 broiler farms and 1 egg laying farm, all farms are located in Chonburi province. In 2015, FKT has capacity to produce 107 million broiler chicks and 3 million egg laying chicks.

Environmental impact

The hatchery business has been certified by the Department of Livestock Development, Ministry of Agriculture and Cooperatives in regards to the best practice of chicken farming and hatchery, this business does not have any environmental impact because of the implementation of an evaporative cooling system. Husks are used as



foundation in the animal house, thus, great effect on the growth of animals and eliminate the smell. Trees are planted in some part of area to provide natural shade. Also, there is wastewater treatment to control the quality of water and convert it to clean water before flowing into the public water supply. FKT is aware and conscious of being a part of the society by having socially responsible activities with the locals, policies to manufacture environmentally friendly products and services, comply with environmental laws, promote activities that protect the environment and conserve energy, as well as, policies to promote the use of environmentally friendly products. In the past 3 years, FKT has never received a complaint or a lawsuit or a dispute about environmental issue.

Broiler farm

MKS buys broiler chicks, a major raw material, from Krungthai Farm Company Limited, a related company. The chicken feed also buys from a related company - Krungthai Food Public Company Limited. At present, MKS has 13 farms located in Chonburi and total capacity of 87 million chicken in 2015.

Environmental impact

The broiler farm business has been certified by the Department of Livestock Development, Ministry of Agriculture and Cooperatives in regards to the best practice of chicken farming and hatchery, this business does not have any environmental impact because of the implementation of an evaporative cooling system. Husks are used as foundation in the animal house, thus, great effect on the growth of animals and eliminate the smell. Trees are planted in some part of area to provide natural shade. Also, there is wastewater treatment to control the quality of water and convert it to clean water before flowing into the public water supply. MKS is aware and conscious of being a part of the society by having socially responsible activities with the locals, policies to manufacture environmentally friendly products and services, comply with environmental laws, promote activities that protect the environment and conserve energy, as well as, policies to promote the use of environmentally friendly products. In the past 3 years, MKS has never received a complaint or a lawsuit or a dispute about environmental issue.

Processed Food

Chicken meats (raw material) are purchased only from GFPT Public Company Limited, a parent company. Therefore, there is no problem in sourcing raw material to feed the processed food business. The factory is located in Samutprakarn with total capacity of 11,000 tons in 2015.

Environmental impact

Process food business has no environmental impact, however, there will be remains left over from the production, therefore, GFF has wastewater treatment to control the water quality before flows into the public water supply. GFF is aware and conscious of being a part of the society by having socially responsible activities with the locals, policies to manufacture environmentally friendly products and services, comply with



environmental laws, promote activities that protect the environment and conserve energy, as well as, policies to promote the use of environmentally friendly products. In the past 3 years, GFF has never received a complaint or a lawsuit or a dispute about environmental issue.

2.4 Undelivered Work

-None-



3. Risk Factors

Nowadays, business trends have changed dramatically and rapidly in both domestic and international markets. Risk management is essential for the Company and its subsidiaries to survive and persist when unexpected situation occurs.

The Company has been continuously and closely monitoring the business situation and risk factors as well as assessing any potential impact to the Company both short term and long term in order to use them as a guide in the risk management. Thus, it is deemed necessary for the Company to have a mechanism to effectively manage and control standards and quality, as well as, prepare to handle risks in advance in order to strengthen the Company's business.

The Company applies the COSO ERM Framework in risk management. The Company has established the Risk Management Committee to identify risk factors and determined ways to mitigate these risks to the acceptable levels. All departments in the Company are the risk owners and responsible for monitoring and managing the risk.

Nonetheless if the risk factors occur, they may impact the performance and / or the financial position of the Company and / or the ability to achieve its objectives and goals. There may be other unknown risks or risks that may not materially affect the Company at this moment. The main risk factors that may affect the Company consist of two types, internal risk factors and external risk factors. The internal risk factors are the risk that the Company's Board and management try to diminish or eliminate as much as possible, while the external risk factors are the risk that the Company's Board and management have tried to impose management policies to reduce the negative impact as much as possible. The internal and external risks will be discussed in the followings:

1. Internal Risk factors

1.1 Financial Liquidity Risk

This industry requires high investment. If unexpected event occurs, it may cause liquidity problems.

Risk Management

The Company has policy to continually maintain liquidity position by focusing on investment projects with acceptable risk and high feasibility level. In addition, the Company also arranges the revolving credit facility to manage liquidity problem, therefore, the Company is confident that there will be adequate funding when unexpected situation happens.

1.2 Marketing Risk

Marketing are considered to be the important success factor for business; therefore, the Company is committed to build long lasting brand that is continuously acceptable by consumers.

**Risk Management**

We build the management team to support customers from before-sale service, during-sale service, and after-sales service. This will bring the confidence to consumers. In addition, the Company uses new distribution channels for market expansion such as E-Marketing, social media, and etc.

1.3 Human Resources Risk

Recruiting good and talented people is difficult but keeping good people is even more difficult. The Company highly focused on retaining human resources that will drive the business to grow.

Risk Management

The Company has provided both opportunities and channels for employees to express their talents which is the main idea to make employees aware of their own value and commitment to develop the Company to steadily and sustainably grow, embed responsibilities to all stakeholders, as well as entrepreneurial spirit.

1.4 The Confidence of Consumer in Food Safety Risk

The consumer behaviour trend focuses more on fresh, clean, and safety of chicken meat products and cooked products. Therefore, the Company's operations may be affected if the consumers have lower confidence in food safety due to the risk of contaminated products or perishable products; which may occur during any production process and from other raw materials in the production, transportation and storage. Thus, the Company shall implement process that will ensure freshness, cleanliness, and safety of product for consumption.

Risk Management

The Company pays high attention to the food safety. In order to reduce the risk, the Company implemented new technology in the production process to meet international standards and be able to effectively trace the system back for error detection. Therefore, the Company has quality assurance in every production process. The quality control of raw material is done at all stages starting from the receiving of raw materials packaging design, packing, transportation, storage, and handling to ensure that the standard is met. In addition, the Company set out procedure for product compliant and product recall to ensure the safety and confidence of consumers. Thus, it is evident that the Company has been awarded on the quality assessment of various products such as GMP, HACCP, ISO 9001:2000, etc. which is a verification for quality products.

1.5 Administrative Management Risk

As of December 30, 2015, the major shareholder, the Sirimongkolkasem family, holds 700,221,940 shares or 55.85% of total shares of the Company which allows the Sirimongkolkasem family to control the votes in the shareholders' meeting such as the appointment of the Company's directors or other matters that requires majority votes except the matters that need to be approved by 3/4 of the shareholders who attends the Meeting.



Thus, the minority shareholders do not have the power to check and balance the vote of the majority shareholders.

Risk Management

The Company has provided explanation to the major shareholder related to the conditions, guidelines including the conservative judgement to obtain the benefits to the Company. The business activities are based on fair, equitability and transparency. The authorized directors and executives are responsible for their duties and the results of their actions to all stakeholders of the Company including shareholders, creditors, employees, customers, suppliers and the public.

1.6 Corruption Risk

Corruption is a serious problem in utilizing the Company's resources in order to improve the Company and the country. Although the Company has strict measures and internal control, corruption can possibly occur anytime. Therefore, the Company realized the importance of the cultivation of corporate culture to promote honesty and fidelity of the people; the learning and understanding the root cause of corruption within the Company; in order to develop rigorous corruption prevention to prevent, monitor, and handle the corruption when it occurs. This approach will help to stop the loss of the Company's resources or the benefit leakage of the business transactions.

Risk Management

The Company believes that corruption can be controlled by having a good internal control system including setting segregate organizational structure with clear workflow; encouraging employee's moral and promoting personal development to upkeep business ethics and the Code of Conduct; creating inter-department network; providing a communication channel for corruption complain; setting procedure for complaint's protection and keeping confidential information; having transparent, reliable and fair investigation, monitoring, and control process; and setting punishment method for committees, executives and employees who commit in corruption. The Company highly commits to the compliance with its anti-corruption policy.

2. External Risk Factors

2.1 Disease Outbreaks Risk

The disease outbreaks in animals would affect confidence of the consumer. Although, most animal disease may not be able to infect people directly, it may impact the Company's performance due to the declining in meat consumption. In particular, the avian influenza (AI) outbreak, though has no direct impact on the Company's operation, it significantly impacts the confidence of consumers to avoid consumption of chicken meat. If the



outbreak magnifies, it will impact the export market that has trade limit, as a result, the Company cannot operate effectively.

Risk Management

The Company has been monitoring the disease outbreak in animals both domestic and other countries. The Company mitigates the risk of disease outbreak by improving its chicken farm management system and technologies including using the closed chicken houses with Evaporative Cooling System (EVAP) to prevent air that carried germs to the chicken houses. The Company has animal welfare policy and practice that comply with the international standard. There are many measures to prevent disease outbreaks in poultry farms of the Company. The Company has been certified by the Department of Livestock, Ministry of Agriculture and Cooperatives for the good agricultural practices for its integrated chicken farms including breeder farms, hatchery facilities, and broiler farms. In addition, the Company provides up- to-date knowledge about animal diseases to its employees. The Company assures that its employees understand the risk factors, able to assess risks associated with the disease outbreaks, and can perform early warning to prevent the spreading of disease. The Company can prevent the risk of disease outbreak at its farm facilities; however, the disease outbreak still have indirect impact to the Thai chicken industry as a whole and also have impact on its ability to the generate revenue. For the previous bird flu outbreak, the Company cannot export frozen chicken and processed chicken. But today the situation has returned to normal that the Company can export the frozen chicken. In addition, Japan allows import of poultry from Thailand for both frozen chicken and processed chicken. However, disease outbreak is a factor that cannot be controlled.

2.2 Fluctuations in the Prices of Feed Materials Risk

The price volatility of feed commodities such as corn, soybean meal, and fish meal has an impact on the cost of feed. The commodity price changes according to the volume output in each period and crop season. In addition, the price is also determined by the demand and supply of the world markets as well as domestic market in Thailand. Not only animal feed production but also demand for renewable energy and speculation in commodity futures market also affect the demand of these commodities. These factors may affect the price volatility of raw material. As for the supply side, climate change and natural disaster may contribute in lower crop production. These factors are uncontrollable and unexpected. Therefore, the price volatility of these commodities is the risk that has impact on the Company's performance. If commodities prices increase higher than estimated, the production costs of feed and chicken meat will be higher.

**Risk Management**

The Company mitigated the risk of commodity price by assigning the specialized purchasing unit with high expertise and experience in procurement of these raw materials to follow up related news closely, to look for alternative sources in term of quality and availability to meet the demands of production. In addition, the Company builds larger storage to store these raw materials and maintain higher stock level. The Company has the feed nutritionists to modify the feed formulation by using other equivalent feed materials. The Company sometimes uses derivative financial instruments to manage its exposure from the price fluctuations of the imported feed materials. When the Company expects that the future commodity prices tend to increase, then, the Company can adjust the selling feed price to compensate with the increased cost of raw materials. However, the feed price increase must be approved by the Department of Internal Trade. Due to the fact that the government controls the feed price, the rise in feed price may not compensate the total increasing amount in commodity prices.

2.3 Price Volatility of Livestock and Meat Products Risk

The main products of the Company are chicken day-old-chicks and chicken meat products that generate income to the Company. The prices of these products were determined by the market's demand and supply in each period. The factors that affected the demand consist of purchasing power, confidence, and seasonal demand. When the supply of these products exceeds the demand, the price of these products may be lower than expected and also impact on the revenue of the Company.

Risk Management

The Company mitigates the risk from the price volatility of the chicken meat products by launching new products and adding value in the products to fit the demand of consumers. Nonetheless, the price volatility of day-old-chicks, chicken meat, and chicken parts, may be beyond the expectation and the control of the Company.

2.4 Price Volatility on Fuel Risk

During the past few years, the fuel price in the world market had fluctuated dramatically, which were difficult to avoid the effect from the fluctuation of fuel price. According to this fluctuation, it has direct and indirect impacts on the Company's performance including production cost and transportation cost.

Risk Management

The Company mitigates the risk from the volatility of fuel price by managing the logistic system. A subsidiary company has 1 feed mill plant at Banbueng, Chonburi Province which is close to its broiler farm facilities, located in Chonburi Province. Due to the shorter distance of the new feed mill, the transportation cost of the chicken



feed to the broiler farms of the group was reduced. Previously, the Company could reduce the production cost and transportation cost accordingly.

2.5 Changes in Consumers' Behavior Risk

The lifestyle of consumers is changing rapidly, so product development is important. We have to study and understand the consumers' behavior for both domestically and internationally in order to deliver the products that meet consumers' demand and satisfaction.

Risk Management

The Company has a team to study the trend and change of its consumers' behavior both domestic and international markets by focusing on collecting consumer data in depth. The results of the study are used in product development and marketing planning in order to offer the suitable products to fit the need of the customers and also gain their satisfactions. Previously, the Company is able to achieve consumers' demand and satisfaction.

2.6 Competition and liberalization of trade and move towards becoming an ASEAN Economic Community (AEC) Risk

Business is more competitive because there are new companies entering the market, each company focus on increasing sales and profit along with the ASEAN Economic Community (AEC) in 2015. The AEC will ease the flexibility to transfer resources, capital, labor and larger international trade, which results in higher competition by importing from countries which have lower production cost including relocation of production base to the countries with lower wages. These facts will impact the revenues and operations of the Company.

Risk Management

The Company is preparing for price competition, quality, and product differentiation by developing technologies to produce the products that meet the needs of consumers and sufficient for the market demand. Our staff are studying and monitoring the needs of foreign markets and sources of raw materials used in the production from the member countries to find lower price of raw materials with high quality. Also, increase product distribution channels and develop an effective delivery model will help to reduce risks on time management and minimize damage in the products of Company.

2.7 The Volatility on Foreign Exchange Rate Risk

The Company has foreign currencies transactions for both export and import. Therefore, the Company may be affected by the volatility of the foreign currencies exchange rates. In terms of exports, if Thai Baht appreciated, it would lower the revenue after converting to Thai Baht. For the import of raw materials that used to produce



feed mill, if Thai Baht depreciated, it would increase the cost of raw materials as well. The Company also imports machinery, supply materials, and some equipment from overseas.

Risk Management

The Company and subsidiaries use financial instruments to mitigate the foreign currencies exchange risk by setting a policy to buy forward contracts with several financial institutions to manage the volatility of foreign currencies transactions. As a result, the Company is able to recognize accurate production cost and able to effectively set the selling price. Thus, the Company can ensure that the target profit can be reach as expected. However, the aforementioned forward contracts do not guarantee that the Company shall be able to mitigate the exchange rates better than the market because the exchange rate cannot be accurately predicted on the date of purchase.

2.8 Volatility on Interest Rates Risk

Interest rate risk arises from changes in market interest rates against the future expectation, which affected the operation and cash flow of the Company.

Risk Management

The Company mitigates the interest rate risk by assigning a team to closely monitor the trend of interest rates. In addition, the Company sets policy to manage the interest rate risk by using fixed interest rate for its long-term loan to ensure that the cost of funds is comparable to the market rate.

2.9 Rules and Regulations Risk

The Company exports its chicken meat products to several countries, which can be impacted by the international trade barriers. According to the free trade agreement, the tax barriers i.e. tariff had become less popular; however, the non-tax barriers are imposed, for example, the quota system, the additional measures to improve hygiene standards, and the higher importing standard. The new market expansion is also difficult and time consuming because each country has a policy to protect its livestock industry. The changes in these factors may have an impact on production costs, sales and profitability of the Company in the future either directly or indirectly as well as the competitiveness of the Thai chicken export industry.

Risk Management

To reduce the risk of international trade barriers, the Company continuously concentrates on updating the law and regulations of the international trade in order to develop strategic business direction in accordance with the international regulations. However, the trade barrier is uncontrollable and unpredictable, the risk cannot be fully managed to protect the business operation.



2.10 Climate changing Risk

Natural disasters such as draught, flood, storm, and etc. as a result of climate changing due to global warming will create direct and indirect impact to the Company unavoidably. This impact is concerned as an uncontrollable risk which the damage cannot be defined. Therefore, being ready for climate changing can lower damage the Company may impacted.

Risk Management

The Company continuously prepares a counterplan for an emergency case in accordance with business operation master plan. The persons in charge of this counterplan have to monitor seasonal climate and report to the executives for preparation and continuous improvement of the counterplan.



4. Assets for Business Operation

4.1 The characteristics of fixed assets of GFPT Public Company Limited (the “Company”) and its subsidiary companies that are used in business operations as of December 31, 2015 are as follow:

Type/Characteristic	Ownership	Value (MB.)	Obligation
1. Land			
1.1 Land for factory:			
- Chicken evisceration and processed food 4 plots, total area 46-1-85.25 Rai	the Company	151.58	mortgaged 4 plots with financial institution THB 327 M
- Feed mill 24 plots at Samutprakarn and Chonburi, total area 295-3-174.10 Rai	Krungthai Food Public Company Limited, a subsidiary company	101.15	mortgaged 13 plots with financial institution THB 675 M
1.2 Land for chicken farm			
- 13 plots at Chonburi, total area 736-1-11 Rai	the Company	43.27	mortgaged 12 plots with financial institution THB 560 M
- 54 plots at Chonburi, total area 3,596-1-36 Rai	M.K.S. Farm Company Limited, a subsidiary company	137.72	mortgaged 19 plots with financial institution THB 319 M
- 28 plots at Chonburi, total area 2,269-0-79 Rai	Krungthai Farm Company Limited, a subsidiary company	62.63	mortgaged 28 plots with financial institution THB 80 M
- 4 plots at Chonburi, total area 1,824-0-76 Rai	GP Breeding Company Limited, a subsidiary company	60.00	No obligations
2. Factory			
2.1 Factory to manufacture			
- Chicken evisceration and processed food 1 place at Samutprakarn	the Company	225.50	mortgaged with financial institution THB 450 M
- Feed mill 2 places at Samutprakarn and Chonburi	Krungthai Food Public Company Limited, a subsidiary company	676.71	mortgaged with land



Type/Characteristic	Ownership	Value (MB.)	Obligation
2.2 Chicken and hatchery farm			
- 202 houses, Chonburi	M.K.S. Farm Company Limited, a subsidiary company	1,180.54	No obligations
- 93 houses, Chonburi	Krungthai Farm Company Limited, a subsidiary company	350.39	mortgaged with land
- 13 houses, Chonburi	GP Breeding Company Limited, a subsidiary company	270.61	No obligations
- 13 houses, Chonburi	Krungthai Food Public Company Limited, a subsidiary company	78.95	No obligations
3. Machinery			
3.1 Machinery to manufacture			
- Chicken evisceration and processed food 69 sets	the Company	380.96	No obligations
- 2 Feed mill factories 5 sets	Krungthai Food Public Company Limited, a subsidiary company	198.34	mortgaged 4 sets value THB 100 M
- Chicken sausage and chicken roll	GF Foods Company Limited, a subsidiary company	6.47	No obligations
3.2 Machinery in chicken farms			
- Hatchery equipment			
30 sets, Chonburi	GP Breeding Company Limited, a subsidiary company	12.47	No obligations
224 sets, Chonburi	Krungthai Farm Company Limited, a subsidiary company	59.53	No obligations
- Chicken raising equipment			
12 sets, Chonburi	GP Breeding Company Limited, a subsidiary company	11.34	No obligations
72 sets, Chonburi	Krungthai Farm Company Limited, a subsidiary company	6.98	No obligations
1 set, Chonburi	Krungthai Food Public Company Limited, a subsidiary company	0.06	No obligations
202 sets, Chonburi	M.K.S. Farm Company Limited, a subsidiary company	209.72	No obligations



In addition to the assets that legally owned by the Company and its subsidiary companies, as at 31 December 2015, the Company and its subsidiary companies also rent office building as its head office, distribution center, shipping agents, rent land for farming business and rent housing for employees from related persons as follow:

No.	Type	Lessor	Terms of lease		
			No. of years	Effective Date	End Date
1.	office building	P. Charoen Phan Feedmill Company Limited	3	1 August 2015	31 July 2018
2.	office building	P. Charoen Phan Feedmill Company Limited	3	1 June 2013	31 May 2016
3.	office building	M.K.S. Condo Town Company Limited	3	1 August 2015	31 July 2018
4.	office building	M.K.S. Condo Town Company Limited	3	1 April 2015	31 March 2018
5.	land	P. Charoenphan Produce Company Limited	20	1 August 2007	31 July 2027
6.	land	P. Charoenphan G.P. Farm Company Limited	20	1 October 2003	30 September 2023
7.	land and building	P. Charoenphan Produce Company Limited	3	1 August 2015	31 July 2018

Note :

1. The term of the rental agreements of office building, land and buildings are 3 years and renewable under certain conditions specified in the agreements
2. The term of the rental agreements of land for housing and farm business are 20 years and renewable under certain conditions specified in the agreements. In the case, the agreements are not renewed, the lessee agrees that the buildings, equipment and building improvements on the rental land belong to the lessor.



4.2 Investment policy in subsidiary and associated companies

The Company's policy is to investment and becomes a fully integrated poultry business that covers feed mill, grandparent chicken farm, parent chicken farm, broiler farm, chicken evisceration and processed food production. This will enable the Company to control quality and costs more efficiently. As for the 2 associated companies, although the Company holds 49% shares but the Company is able to management significant business operation such as raw material sourcing. The Company is the distributor of fresh chicken to McKey Food Services (Thailand) Company Limited; and M.K.S. Farm Company Limited (subsidiary company) is the distributor of fresh chicken to GFPT Nichirei (Thailand) Company Limited.



5. Legal dispute

The Company and its subsidiaries have no legal dispute or litigation that is considered to be material affects on its normal businesses operations. There are several minor litigations from its normal business activities such as cheque litigation.

The litigations have no negative impact on the assets of the Company and its subsidiaries. The value of the litigation is less than 5% of its shareholders' equity.



6. Corporate Information

6.1 General Information

Issuing Company

Name:	GFPT Public Company Limited
Type of Business:	Chicken Evisceration, Processed Chicken Food, and By-Products
Head Office:	312 Rama 2 Road, Bangmod, Jomthong, Bangkok 10150
Company Certificate No:	0107537001471
Telephone:	0-2473-8000
Facsimile:	0-2473-8398
Home Page:	www.gfpt.co.th
Company Secretary and Investor Relations Department	
	0-2473-8000 e-mail: ir@gfpt.co.th
Internal Audit Department	
	0-2473-8000 e-mail: ia@gfpt.co.th
Registered Capital:	1,400,000,000 Baht
Paid-up Capital:	1,253,821,000 Baht
No. of Shares:	1,253,821,000 shares
Type of Share:	Common Stock

**Juristic Persons that the Company holds more than 10% of Share****Subsidiary Company**

Name:	Krungthai Food Public Company Limited
Type of Business:	Feed Mill and Parent Chicken Farm for Egg Production and Distribution
Head Office:	312 Rama 2 Road, Bangmod, Jomthong, Bangkok 10150
Company Certificate No:	0107537001463
Telephone:	0-2473-8000
Facsimile:	0-2473-8398
Home Page	www.ktfood.co.th
Registered Capital:	400,000,000 Baht
Paid-up Capital:	400,000,000 Baht
No. of Shares:	40,000,000 shares
Type of Share:	Common Stock
% of Shareholding:	98.06%

Name:	GP Breeding Company Limited
Type of Business:	Grandparent Chicken Farm for Parent Stock Chicks Production and Distribution
Head Office:	312 Rama 2 Road, Bangmod, Jomthong, Bangkok 10150
Company Certificate No:	0105536132457
Telephone:	0-2473-8000
Facsimile:	0-2473-8398
Registered Capital:	200,000,000 Baht
Paid-up Capital:	200,000,000 Baht
No. of Shares:	20,000,000 shares
Type of Share:	Common Stock
% of Shareholding:	99.99%

**Subsidiary Company**

Name: Krungthai Farm Company Limited

Type of Business: Parent Chicken Farm and Hatchery for Chicks Production and Distribution

Head Office: 312 Rama 2 Road, Bangmod, Jomthong, Bangkok 10150

Company Certificate No: 0105521016944

Telephone: 0-2473-8000

Facsimile: 0-2473-8398

Registered Capital: 350,000,000 Baht

Paid-up Capital: 350,000,000 Baht

No. of Shares: 35,000,000 shares

Type of Share: Common Stock

% of Shareholding: 99.99%

Name: M.K.S. Farm Company Limited

Type of Business: Broiler Farm

Head Office: 312 Rama 2 Road, Bangmod, Jomthong, Bangkok 10150

Company Certificate No: 0105524028536

Telephone: 0-2473-8000

Facsimile: 0-2473-8398

Registered Capital: 550,000,000 Baht

Paid-up Capital: 550,000,000 Baht

No. of Shares: 55,000,000 shares

Type of Share: Common Stock

% of Shareholding: 99.99%

**Subsidiary Company**

Name:	GF Foods Company Limited
Type of Business:	Processed Chicken Food
Head Office:	312 Rama 2 Road, Bangmod, Jomthong, Bangkok 10150
Company Certificate No:	0105525001496
Telephone:	0-2473-8000
Facsimile:	0-2473-8398
Registered Capital:	40,000,000 Baht
Paid-up Capital:	40,000,000 Baht
No. of Shares:	400,000 shares
Type of Share:	Common Stock
% of Shareholding:	99.99%

Associated Company

Name:	McKey Food Services (Thailand) Limited
Type of Business:	Frozen Processed Food
Head Office:	210 Moo 1, Teparak Road, K.M. 20.5 Bangsaothong, Bangsaothong, Samuthprakarn 10540
Company Certificate No:	0115536003282
Telephone:	0-2315-4763-4, 0-2315-4766-7
Facsimile:	0-2315-4765
Registered Capital:	100,000,000 Baht
Paid-up Capital:	100,000,000 Baht
No. of Shares:	1,000,000 shares
Type of Share:	Common Stock
% of Shareholding:	49.00%

**Associated Company**

Name:	GFPT Nichirei (Thailand) Company Limited
Type of Business:	Chicken Evisceration and Processed Chicken Food
Head Office:	77 Moo 4, Hang Sung, Nong Yai, Chonburi 20190
Company Certificate No:	0105551130397
Telephone:	038-932-900
Facsimile:	038-932-999
Registered Capital:	3,014,000,000 Baht
Paid-up Capital:	3,014,000,000 Baht
No. of Shares:	30,140,000 shares
Type of Share:	Common Stock
% of Shareholding:	49.00%

6.2 Other Important Information

Registrar Name:	Thailand Securities Depository Co., Ltd.
Address:	93 Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400
Telephone:	0-2009-9000
Facsimile:	0-2009-9991
Home Page:	www.set.or.th/tsd
Registrar Debenture:	None
Auditor:	SAM NAK-NGAN A.M.C. Co., Ltd.
Address:	191 Silom Complex Building, 19 th Floor, Silom Road, Silom, Bangrak, Bangkok 10500
Telephone:	0-2231-3980-7
Facsimile:	0-2231-3988
Home Page:	www.amc-mri.com