

Date: May 27, 2024

Subject Management Discussion and Analysis for the year ended December 31, 2023

To Managing Director,
The Stock Exchange of Thailand

According to Chuwit Farm (2019) Public Company Limited (“the Company” or “CFARM”) had submitted the financial statements for the year ended December 31, 2023, which audited by a certified public accountant to the Stock Exchange of Thailand. For the year ended December 31, 2023, the Company had net profit of THB 30.49 million, a increase of THB 8.52 million or 38.80% compared to same period last year, with a net profit margin of 12.65% which increase from the year 2022 as of 9.60%. The reason for the change in operating results are as follows:

Summary of Operating Performance

Income Statement	2022		2023	
	M. Baht	Proportion	M. Baht	Proportion
Revenue				
Revenue from broiler chicken farming under contract agreements	215.34	94.16%	220.30	91.42%
Revenue from sale of poultry farming byproducts	10.14	4.44%	17.66	7.33%
Other revenues	3.22	1.41%	3.03	1.26%
Total revenue	228.70	100.00%	240.99	100.00%
Costs				
Costs and other expenses in chicken farming	175.64	76.80%	170.80	70.88%
Administrative Expenses	20.37	8.90%	28.72	11.92%
Total expenses	196.01	85.70%	199.53	82.80%
Profit (Loss) from operations	32.69	14.30%	41.46	17.20%
Interest Expense	(10.91)	(4.77%)	(11.09)	(4.60%)
Profit (Loss) before tax	21.78	9.52%	30.37	12.60%
Tax	0.18	0.08%	0.12	0.05%
Net Profit (Loss) for the year	21.97	9.60%	30.49	12.65%

The Company operates a livestock poultry farming business under contract farming agreements. The company plans to allocate capital towards investments in construction and enhancement of facilities, alongside

procuring equipment according to the standards outlined by the Department of Livestock Development to ensure production meets specified requirements.

The Company's revenue structure for the years 2022 and 2023 as follow:

	2022		2023	
	M. Baht	Proportion	M. Baht	Proportion
Revenue from broiler chicken farming under contract agreements	215.34	94.16%	220.30	91.42%
Revenue from sale of poultry farming byproducts ¹	10.14	4.44%	17.66	7.33%
Other revenues ²	3.22	1.41%	3.03	1.26%
Total revenue	228.70	100.00%	240.99	100.00%

Note: ¹ Revenue from sale of poultry farming byproducts include sales to related parties. In the year 2022, sales in this category amounted to 7.81 million Baht, representing 77.02% of the total revenue from sale of byproducts. Meanwhile, sales of byproducts to related parties in the third quarter of 2022 and 2023 amounted to 5.24 million Baht and 5.21 million Baht, accounting for 80.33% and 35.11% of total revenue from sale of byproducts respectively. In the first quarter of 2023, revenue from sale of byproducts to related parties amounts to 3.01 million Baht, equivalent to 24.07% of total revenue from byproducts. However, for the first quarter of 2024, the company did not receive any revenue from sales in this category.

² Other revenues include rental income, revenue from sale of assets, and interest income.

Revenue

Currently, the company operates a livestock farming business, supplying broiler chicken to leading contractors in Thailand. During the years 2022 and 2023, contract partners included Betagro, CPF, Sun Food, Panus Poultry, Saha Farms, and Laemthong.

The company's total revenue from 2022 and 2023, according to the TFRS 15 Accounting Standards on revenue from contract partners, amounts to 228.70 million Baht and 240.99 million Baht, respectively. This represents an increase of 12.28 million Baht or 5.37% in 2023 compared to the prior year, primarily due to revenue generated from broiler and byproduct sales.

Revenue from broiler chicken farming under contract agreements

Revenue from broiler chicken farming under contract agreements comes from raising broiler chicken according to contractual terms, in which revenue is realized upon delivery of chickens under conditions specified in the contracts. Revenue figures shown in the financial statements are in net format, calculated by revenue from the sale of price-guaranteed chickens minus the cost of chicks, chicken feed, transportation of broiler chickens, and any deductions for broiler chicken quality, in accordance with TFRS 15. The details are as follows:

Summary of broiler chicken deliveries during the period

		2022	2023
Number of farms*	Farms	8	8
Number of broiler houses*	Broiler houses	121	121
Number of generations raised (total)	Generations	39	38
Cumulative broiler house usage	Times	582	571
Average number of farming cycles (Total farming cycles/total broiler houses)	Cycles per year	4.81	4.72
Average days per farming cycle (excluding farm preparation)	Days	42	45
Number of chicks	M. chicks	15.20	14.64
Number of broiler chickens	M. chickens	14.47	13.79
Survival rate	%	95.20%	94.19%
Total weight of broiler chickens caught	M. grams	39.90	39.39
Total weight of chicken feed	M. grams	67.72	66.11
Average weight of broiler chicken	Grams	2.76	2.86
Feed Conversion Ratio (FCR)	Times	1.70	1.68

Note: * Calculated using Last Twelve Months

- Feed Conversion Ratio (FCR) is a performance indicator of animal feed efficiency, representing the rate at which animal feed is converted into animal meat. It is calculated by $\frac{\text{Total weight of feed consumed}}{\text{Total weight of chickens raised}}$

Summary of broiler chicken deliveries at the end of the period

		2021	2022	2023	Q1'2023	Q1'2024
Number of generations carried forward	Generations	6	5	6	4	6
Average age of chickens at the end of the period	Days	15	24	16	32	24
Number of chicks	M. chicks	2.47	2.20	2.07	1.90	2.09
Number of chickens in the farming cycle at the end of the period	M. chickens	2.34	2.04	2.02	1.76	2.03
Survival rate at end of period	%	94.74%	92.73%	97.58%	92.76%	97.15%

In 2022, the company's revenue from broiler contracts amounted to 215.34 million baht, representing 94.16% of total revenue. During the year, the company raised 15.20 million chicks and delivered 14.47 million broilers, resulting in a survival rate of 95.20%. At the end of the accounting period in 2022, the company had chickens in the farming cycle across 5 farms, with 2.20 million chicks and 2.04 million broilers remaining, resulting in a survival rate of 92.73%. Estimated revenue from contracts partners during this reporting period amounted to 15.12 million Baht, according to financial reporting standards.

In 2023, the company's revenue from broiler contracts amounted to 220.30 million baht, representing 91.42% of total revenue. This was an increase of 4.96 million Baht or 2.30% from the prior year. The company raised 14.64 million chicks and delivered 13.79 million broilers, resulting in a survival rate of 94.19%. The decrease in survival rate was due to initial quality issues with chicks received from suppliers early in the year. However, in 2023, the company improved food quality control and rearing efficiency compared to the previous year, reflecting in a better FCR from 1.70 to 1.68. Thus, the increase in revenue was a result of higher broiler chicken quality, reduced quality deductions, and increase in the guaranteed sale price of broilers with contract partners from the previous year. At the end of the accounting period in 2023, the company had chickens in the farming cycle across 6 farms, with 2.07 million chicks and 2.02 million broilers remaining, resulting in a survival rate of 97.58%. Estimated revenue from customer contracts during the reporting period amounted to 18.75 million Baht, according to financial reporting standards.

Revenue from sale of poultry farming byproducts

The company's revenue from byproduct sales consists of income generated by distributing chicken manure and other waste products to farmers and trading partners for use as organic fertilizer for crop cultivation and as a raw material for biogas production. These waste products, a mixture of chicken manure and flooring materials, are generated as a result of the company's normal operations during each farming cycle. The company began emphasizing efficient cost management and creating added value for production towards the end of 2020. In 2021, the company commenced purchases and sales of rice hull chicken manure and sawdust chicken manure at equivalent prices. Hence, this net value is not shown in the financial statements. As such, 2022 marked the first year in which the company officially began generating revenue in this segment.

In 2022 and 2023, the company generated revenue from byproduct sales amounting to 10.14 million Baht and 17.66 million Baht, respectively. These figures represent 4.44% and 7.33% of total revenue, respectively. The company saw an increase in revenue in 2023 of 7.52 million Baht or 74.10% compared to in 2022. The increase was primarily due to higher unit selling prices of the byproducts from seasonal price fluctuations. During these years, a portion of the sales was provided to North East Rubber Public Company Limited, a related party, amounting to 7.81 million Baht in 2022 and 5.61 million Baht in 2023, representing 77.02% and 31.75% of revenue from byproduct sales, respectively. Sales to local farmers amounted to 2.33 million Baht in 2022 and 12.05 million Baht in 2023, representing 22.98% and 68.25% of revenue from byproduct sales, respectively.

Other revenues

In 2022, the company's other revenues comprised rental income, interest income, and revenue from sale of assets, totaling 3.22 million Baht in 2022. These figures represent 1.41% of total revenue.

In 2023, other revenues consisted of revenue from the sale of automotive assets and rental income, totaling 3.03 million Baht or 1.26% of total revenue. Such revenue decreased by 0.19 million Baht or 5.94% from the previous year.

Expenses

Income Statement (Audited)	Income Statement (Audited)			
	2022		2023	
	M. Baht	Proportion	M. Baht	Proportion
Costs and other expenses in chicken farming	175.64	76.80%	170.80	70.88%
Administrative expenses	20.37	8.90%	28.72	11.92%
Total expenses	196.01	85.70%	199.53	82.80%

The company's total expenses in 2022 amounted to 196.01 million Baht. Of these expenses, costs and other expenses related to chicken farming amounted to 175.64 million Baht in 2022, which represent 76.80% of the total revenue. Administrative expenses were 20.37 million Baht in 2022, representing 8.90% of the total revenue for those years.

For the year 2023, the company's total expenses amounted to 199.53 million Baht, which represents 82.80% of the total revenue. This reflects an increase of 3.52 million Baht or 1.79% compared to the previous year. Costs and other expenses related to chicken farming amounted to 170.80 million Baht, which is 70.88% of total revenue. Additionally, administrative expenses amounted to 28.72 million Baht, representing 11.92% of total revenue for the year 2023.

Costs and other expenses in chicken farming

The company's costs and other expenses related to chicken farming include the cost of raising chickens, such as medical supplies, biopharmaceuticals, chemicals, flooring materials, electricity, labor, and depreciation. In 2022, the company had costs and other expenses related to chicken farming amounting to 175.64 million Baht, which represent 76.80% of total revenue.

For the year 2023, the company's costs and other expenses related to chicken farming amounted to 170.80 million Baht, representing 70.88% of the total revenue. This is a decrease of 4.84 million Baht or 2.76% from the previous year, attributed to reductions in the costs of capturing chickens and miscellaneous selling expenses, such as licensing fees for capturing and transporting chickens. Additionally, there was a reduction in fuel costs for transportation, which aligned with the decrease in the number of farming cycles conducted by the company from

4.81 cycles in 2022 to 4.72 cycles in 2023. This resulted in a decrease in the costs and other expenses related to chicken farming compared to the previous year.

Administrative expenses

For the company, these expenses include salaries, audit and accounting fees, maintenance costs, and other miscellaneous fees. In 2022, the company's administrative expenses amounted to 20.37 million Baht, equivalent to 8.90% of total revenue.

In 2023, The company had administrative expenses amounting to 28.72 million Baht, which is 11.92% of the total revenue. This represents an increase of 8.36 million Baht or 41.04% compared to the previous year. The increase in expenses was attributed to costs related to preparation for listing in the stock market (IPO), including higher salaries for employees and compensation for the newly appointed board members towards the end of 2022.

Net profit and Net profit margin

In 2022, the company experienced a net profit of 21.97 million Baht, respectively. This represents 9.60% of total revenue. In 2022, the situation returned to normal, with the company's average farming cycle (excluding farm preparation days) being 42 days.

For the year 2023, the company gained a net profit of 30.49 million Baht, equivalent to 12.65% of total revenue. This represents an increase of 8.52 million Baht or a 38.80% increase compared to the previous year. This improvement can be attributed to the company's efforts in enhancing and controlling the quality of chicken feed, as well as the efficiency of poultry farming. This is reflected in the improved FCR from the previous year, from 1.70 to 1.68, and the reduced incidence of chicken quality deductions.

Financial Position

	31 December 2022		31 December 2023	
	M. Baht	Proportion	M. Baht	Proportion
Total Current Assets	85.89	11.14%	76.43	10.47%
Total Non-current Assets	685.18	88.86%	653.70	89.53%
Total Assets	771.07	100.00%	730.13	100.00%
Total Current liabilities	93.67	12.15%	84.11	11.52%
Total Non-current Liabilities	251.58	32.63%	190.64	26.11%
Total Liabilities	345.25	44.78%	274.75	37.63%
Shareholders' Equity				
Registered capital	431.00	55.90%	580.00	79.44%
Paid-up capital	431.00	55.90%	431.00	59.03%
Total Shareholders' Equity	425.82	55.22%	455.38	62.37%
Total Liabilities and Shareholders' Equity	771.07	100.00%	730.13	100.00%

Total Assets

As of December 31, 2022 and December 31, 2023, the company had total assets worth 771.07 million Baht and 730.13 million Baht. Details are as follows:

Cash and cash equivalents

Cash and cash equivalents of the company include cash, bank deposits in savings accounts, current accounts, and fixed deposits with a maturity of no more than 3 months. As of December 31, 2022, the company had cash and cash equivalents of 16.79 million Baht, representing 2.18% of total assets.

As of December 31, 2023, the company's cash and cash equivalents amounted to 47.62 million Baht, representing 6.52% of total assets. This increased from December 31, 2022 by 30.83 million Baht or 183.62% was attributed to cash inflows from the company's operational activities.

Accounts receivables

Accounts receivables consist of outstanding receivables that have not yet reached their due date. As of December 31, 2022, the company had accounts receivables of 15.55 million Baht, representing 2.02% of total assets. As of December 31, 2023, the company had no accounts receivable outstanding from its business operations.

Other accounts receivables – Net

As of December 31, 2022, the company had other accounts receivables of 5.05 million Baht, representing 0.66% of total assets.

As of December 31, 2023, the company had other accounts receivable amounting to 4.88 million Baht or 0.67% of total assets. This decreased from December 31, 2022 by 0.18 million Baht or 3.46% and was mainly attributed to the decrease in accrued bonus income from poultry farming bonuses. This was a special contractual term set by a contract partner, such that bonus payments were to be made if the company was able fulfill the conditions of the contract.

Accounts receivables not yet invoiced

Accounts receivable not yet invoiced consist of estimated revenues from farming cycles that have not yet been completed and orders under poultry farming contracts that have not yet been delivered. As of December 31, 2022, the company had accounts receivables not yet invoiced amounting to 15.12 million Baht, representing 1.96% of total assets for each respective period.

As of December 31, 2023, the company had accounts receivable not yet invoiced amounting to 18.75 million Baht, or 2.57% of total assets. This increased from December 31, 2022 by 3.63 million Baht or 24.01% due to broilers in the farming cycle and have not yet been delivered.

Inventory

The company's inventory consists of medical supplies, biopharmaceuticals, consumable chemicals, and farm preparation resources (excluding chick costs and chicken feed) to support the next generation of farming. As

of December 31, 2022, the company had inventory amounting to 3.37 million Baht, representing 0.44% of total assets for the period.

As of December 31, 2023, the company had inventory amounting to 4.38 million Baht or 0.60% of total assets. This increased from December 31, 2022 by 1.01 million Baht or 29.88% and was primarily due to an increase in farm preparation resources (excluding chick costs and chicken feed).

Land, Buildings, and Equipment – Net

As of December 31, 2022, the company had net land, buildings, and equipment totaling 613.31 million Baht, representing 79.54% of total assets in the period.

As of December 31, 2023, the company had net land, buildings, and equipment totaling 576.53 million Baht, representing 78.96% of total assets. This decreased from December 31, 2022 by 36.78 million Baht or 6.00%. This was mainly due to reclassifying certain assets as investment properties and the decrease in tools and equipment used in farming. The fair value of the re-classified investment properties as of December 31, 2023 was 29.20 million Baht.

Liabilities and Shareholders' Equity

As of December 31, 2022 and December 31, 2023, the company's liabilities and shareholders' equity amounted to 771.07 million Baht and 730.13 million Baht, with details as follows:

Accounts Payables

The company's accounts payables consist of liabilities between the company and its contract partners. As of December 31, 2022, the company had accounts payables of 13.82 million Baht, representing 1.79% of total liabilities and shareholders' equity.

As of December 31, 2023, the company had accounts payable of 13.41 million Baht, representing 1.84% of total liabilities and shareholders' equity, which decreased from December 31, 2022 by 0.41 million Baht or 3.00%. This was due to an increase in the cost of chicks and chicken feed for chickens raised that had not yet generated revenue in the accounting period.

Loans from financial institutions

As of December 31, 2022, the company had loans from financial institutions amounting to 298.44 million Baht, representing 38.71% of total liabilities and shareholders' equity.

As of December 31, 2023, the company had loans from financial institutions amounting to 237.21 million Baht, representing 32.49% of total liabilities and shareholders' equity. This was a decrease from December 31, 2022 by 61.23 million Baht or 20.52% due to the repayment of debts to financial institutions.

Shareholders' Equity

As of December 31, 2022, the company had shareholders' equity amounting to 425.82 million Baht, representing 55.22% of total liabilities and shareholders' equity, resulting in D/E ratio to 0.81. Furthermore, during the Annual General Meeting of Shareholders on February 21st, 2023, the board passed on the motion to increase

registered capital of the company from 431.00 million Baht to 580.00 million Baht by issuing additional 149.00 million ordinary shares, with a par value of 1.00 baht each, to accommodate the initial public offering (IPO).

As of December 31, 2023, the company had shareholders' equity amounting to 455.38 million Baht, representing 62.37% of total liabilities and shareholders' equity, which increased from December 31, 2022 by 29.56 million Baht or 6.94% resulting in D/E ratio to 0.60 due to the company's improved operational performance.

Financial Ratios

Financial Ratios	Units	Year 2021	Year 2022	Year 2023	Q1'2024
Current Ratio	Times	0.30	0.92	0.91	0.87
Quick Ratio	Times	0.03	0.35	0.57	0.49
Operating Cash Flow Ratio	Times	0.05	0.54	1.05	0.93*
Accounts Receivable Turnover Ratio	Times	10.82	15.71	-	25.01*
Average Collection Period	Days	34	23	-	15
Inventory Turnover Ratio	Times	23.95	44.54	44.11	39.13*
Average Inventory Period	Days	16	9	9	10
Accounts Payable Turnover Ratio	Times	20.37	13.13	12.54	13.06*
Average Payment Period	Days	18	28	29	28
Cash Cycle	Days	32	4	(20)	(3)
Profitability Ratios					
Gross Profit Margin	%	(16.46)%	18.44%	22.47%	18.29%
EBIT Margin	%	(16.33)%	15.18%	18.82	8.57%
Operating Cash Flow to Operating Profit Ratio	%	(96.74)%	419.86%	225.86%	40.54%
Net Profit Margin	%	(23.30)%	9.60%	12.65%	3.54%
Return on Equity	%	(9.04)%	5.30%	6.92%	6.55%*
Efficiency Ratios					
Return on Assets	%	0.18%	0.28%	0.32%	0.33%*
Return on Fixed Assets	%	2.99%	12.05%	14.24%	14.59%*
Asset Turnover	Times	0.18	0.28	0.32	0.33*
Financial Policy Ratios					
Debt to Equity Ratio	Times	1.10	0.81	0.60	0.58
Interest Coverage Ratio	Times	2.30	7.93	8.65	5.31
Debt Service Coverage Ratio	Times	0.14	0.48	1.00	0.86
Dividend Payout Ratio	%	-	-	-	-

Current Ratio

The current ratio is calculated by dividing current assets by current liabilities. As of December 31, 2022, the company had current ratios of 0.92 times.

As of December 31, 2023, the company's current ratio was 0.91 times, which decreased from December 31, 2022. This decrease was attributed to the reduction in current assets, particularly in deposits with financial institutions.

Cash Cycle

The cash cycle is calculated as the average collection period plus the average inventory period minus the average payment period. As of December 31, 2022, the company had cash cycles of 4 days.

As of December 31, 2023, the company's cash cycle was (20) days, which decreased compared to December 31, 2022 due to reduced accounts receivables, resulting in a better cash cycle compared to the previous year.

Gross profit margin and Net profit margin

Gross profit margin is calculated by dividing gross profit by the revenue from sale of broiler chicken. For the years 2022, the company had gross profit margins of 18.44%. The net profit margin is calculated by dividing net profit by the total revenue. As of December 31, 2022, the company had net profit margins of 9.60%.

For the year 2023, the company had a gross profit margin of 22.47% and a net profit margin of 12.65%, both of which increased from the previous year due to improved quality control of chicken feed and better farming cycle efficiency compared to the previous year. This is reflected in the improved FCR from 1.70 to 1.68 and the decreased deductions from broiler quality. Additionally, the guaranteed selling price of broilers increased compared to the previous year.

Interest Coverage Ratio (ICR)

Interest Coverage Ratio is calculated by dividing the earnings before interest, taxes, depreciation, and amortization (EBITDA) by interest expense. As of December 31, 2022, the company had ICRs of 7.93.

For the year 2023, the company's ICR was 8.65, which increased from the previous year due to an increase in EBITDA.