

Management Discussion and Analysis for the Year 2017

Management Discussion & Analysis

Summary of Consolidated Statements of

Financial Position of GFPT Public Company Limited and its Subsidiaries

As at 31 December 2015, 2016, and 2017

	2015		2016		2017	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	592.49	3.96	310.87	1.92	736.26	4.24
Trade and other receivables	1,026.63	6.85	932.66	5.77	1,013.27	5.83
Inventories	3,173.50	21.19	3,653.33	22.61	3,608.19	20.78
Other Current Assets	16.27	0.11	18.15	0.11	14.10	0.08
Total Current Assets	4,808.89	32.11	4,915.01	30.41	5,371.82	30.93
Investment in Associates	2,126.56	14.20	2,448.75	15.15	2,671.77	15.39
Grandparent Chickens	98.82	0.66	121.18	0.75	110.83	0.64
Parent Chickens	386.89	2.58	406.78	2.52	366.22	2.11
Investment Property	346.73	2.32	360.42	2.23	354.07	2.04
Property, Plant and Equipment	6,753.57	45.09	7,430.75	45.98	8,012.60	46.14
Deferred Tax Assets	358.17	2.39	373.55	2.31	383.79	2.21
Other Non - Current Assets	96.69	0.65	103.89	0.65	94.46	0.54
Total Non-Current Assets	10,167.43	67.89	11,245.32	69.59	11,993.74	69.07
Total Assets	14,976.32	100.00	16,160.33	100.00	17,365.56	100.00
Short - Term Loans from Financial Institutions	1,787.10	11.93	1,931.37	11.95	1,650.00	9.50
Short - Term Loans from Related Persons	-	-	-	-	160.00	0.92
Trade and other payables	813.54	5.43	886.47	5.49	925.34	5.33
Current Portion of Advance Received for Rental Income from Associate	7.85	0.05	7.85	0.05	7.85	0.05
Current Portion of Long - Term Loans	283.32	1.89	208.32	1.29	66.70	0.38
Other Current Liabilities	60.75	0.41	164.36	1.01	165.39	0.95
Total Current Liabilities	2,952.56	19.71	3,198.37	19.79	2,975.28	17.13
Long - Term Loans	2,075.02	13.85	1,666.70	10.31	1,700.00	9.79

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	2015		2016		2017	
	MB	%	MB	%	MB	%
Employee benefit obligations	338.88	2.26	365.94	2.26	384.97	2.22
Advance Received for Rental Income from Associate	107.29	0.72	99.43	0.62	91.58	0.53
Other Non - Current Liabilities	59.32	0.40	50.80	0.32	52.75	0.30
Total Non - Current Liabilities	2,580.51	17.23	2,182.87	13.51	2,229.30	12.84
Total Liabilities	5,533.07	36.94	5,381.24	33.30	5,204.58	29.97
Total Shareholders' Equity	9,443.25	63.06	10,779.09	66.70	12,160.98	70.03
Total Liabilities and Shareholders' Equity	14,976.32	100.00	16,160.33	100.00	17,365.56	100.00

Comprehensive Income Statements of GFPT Public Company Limited and its Subsidiaries

For the year ended 31 December 2015, 2016, and 2017

	2015		2016		2017	
	MB	%	MB	%	MB	%
Revenue from Sales	16,466.51	98.59	16,693.02	98.06	16,928.47	98.15
Other Income	235.16	1.41	329.90	1.94	318.24	1.85
Total Revenue	16,701.67	100.00	17,022.92	100.00	17,246.71	100.00
Cost of Sales	(14,463.26)	(86.60)	(14,191.28)	(83.37)	(14,150.92)	(82.05)
Selling and Administrative Expenses	(1,170.39)	(7.01)	(1,242.64)	(7.30)	(1,316.20)	(7.63)
Total Expenses	(15,633.65)	(93.61)	(15,433.92)	(90.67)	(15,467.12)	(89.68)
Participating Profit in Associated Companies	248.80	1.49	371.19	2.18	272.02	1.58
Profit before Financial Costs and Income Taxes	1,316.82	7.88	1,960.19	11.51	2,051.61	11.90
Financial Costs	(123.26)	(0.74)	(98.03)	(0.57)	(74.36)	(0.43)
Income Tax Revenue (Expenses)	19.58	0.12	(205.69)	(1.21)	(219.32)	(1.27)
Profit for The Year	1,213.14	7.26	1,656.47	9.73	1,757.93	10.20
Non - Controlling Interests	(18.22)	(0.11)	(12.77)	(0.07)	(9.58)	(0.06)
Net Profit	1,194.92	7.15	1,643.70	9.66	1,748.35	10.14

Consolidated Cash Flows Statements of GFPT Public Company Limited and its Subsidiaries
For the year ended 31 December 2015, 2016, and 2017

	2015	2016	2017
	MB	MB	MB
Net Cash Received from Operating Activities	1,763.84	2,088.52	2,455.73
Net Cash Used in Investing Activities	(1,386.42)	(1,612.81)	(1,350.14)
Net Cash Used in Financing Activities	(54.66)	(757.33)	(680.20)
Net Increase (Decrease) in Cash and Cash Equivalents	322.76	(281.62)	425.39
Cash and Cash Equivalents at the Beginning Balance	269.73	592.49	310.87
Cash and Cash Equivalent at the Ending Balance	592.49	310.87	736.26

Financial Ratios of GFPT Public Company Limited and its Subsidiaries

	2015	2016	2017
Liquidity Ratio			
Current Ratio ¹ (times)	1.63	1.54	1.81
Quick Ratio ² (times)	0.53	0.37	0.57
Cash Ratio ³ (times)	0.67	0.68	0.80
Account Receivable Turnover ⁴ (times)	17.65	17.27	17.78
Average Collection Period ⁵ (days)	20	21	20
Inventory Turnover ⁶ (times)	66.93	70.56	70.75
Average Inventory Turnover Period ⁷ (days)	5	5	5
Account payable Turnover ⁸ (times)	23.35	22.54	20.43
Average Payment Period ⁹ (days)	15	16	18
Cash Cycle ¹⁰ (days)	10	10	8
Profitability Ratio			
Gross Profit Margin ¹¹ (%)	12.17	14.99	16.41
Operating Profit Margin ¹² (%)	8.00	11.74	12.12

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	2015	2016	2017
Cash Profit Margin ¹³ (%)	133.95	106.56	119.70
Net Profit Margin ¹⁴ (%)	7.16	9.66	10.14
Return on Equity or ROE ¹⁵ (%)	13.15	16.26	15.24
Efficiency Ratio			
Return on Assets or ROA ¹⁶ (%)	8.32	10.56	10.43
Return on Fixed Assets ¹⁷ (%)	23.25	25.92	25.51
Total Assets Turnover ¹⁸ (times)	1.16	1.09	1.03
Leverage Ratio			
Debt/Equity Ratio ¹⁹ (times)	0.59	0.50	0.43
Net Debt to Equity Ratio ²⁰ (times)	0.44	0.35	0.28
Interest Coverage Ratio ²¹ (times)	11.61	16.42	22.22
Debt Service Coverage Ratio ²² (times)	0.12	0.14	0.19
Dividend Payout Ratio ²³ (%)	N/A *	73.38	N/A **

Remark:

- 1) Current Ratio = Current Assets/ Current Liabilities
- 2) Quick Assets = (Cash + Short-Term Investments + Accounts Receivable) / Current Liabilities
- 3) Cash Ratio = Cash Flow from Operating / Average Current Liabilities
- 4) Account Receivable Turnover = Net Credit Sales / Average Accounts Receivable
- 5) Average Collection Period = 360 / Account Receivable Turnover
- 6) Inventory Turnover = Cost of Goods Sold / Average Inventory
- 7) Average Inventory Turnover Period = 360 / Inventory Turnover
- 8) Account payable Turnover = Cost of Goods Sold / Average Account payable
- 9) Average Payment Period = 360 / Account Payable Turnover
- 10) Cash Cycle = Average Collection Period + Average Inventory Turnover Period - Average Payment Period

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- 11) Gross Profit Margin = $(\text{Gross Profit} / \text{Sales}) * 100$
- 12) Operating Profit Margin = $(\text{Operating Profit} / \text{Sales}) * 100$
- 13) Cash Profit Margin = $(\text{EBIT} / \text{Net Income}) * 100$
- 14) Net Profit Margin = $(\text{Net Profit} / \text{Total Sales}) * 100$
- 15) Return on Equity or ROE = $(\text{Net Profit} / \text{Average Equity}) * 100$
- 16) Return on Assets or ROA = $(\text{Net Profit} / \text{Average Total Assets}) * 100$
- 17) Return on Fixed Assets = $(\text{Net Profit} + \text{Depreciation}) / \text{Average Total Fixed Assets} * 100$
- 18) Total Assets Turnover = $\text{Total Revenue} / \text{Average Total Assets}$
- 19) Debt/Equity Ratio = $\text{Total Debt} / \text{Equity}$
- 20) Net Debt to Equity Ratio = $\text{Net Debt} / \text{Equity}$
- 21) Interest Coverage = $(\text{Cash Flow from Operations} + \text{Interest Expenses} + \text{Tax}) / \text{Interest Expenses}$
- 22) Debt Service Coverage = $\text{EBITDA} / (\text{Debt Payment} + \text{Capital Expenditure} + \text{Investment in Fixed Assets} + \text{Dividend Payment})$
- 23) Dividend Payout = $(\text{Dividends} / \text{Net Income}) * 100$

* The Company paid dividend in 2015 in amount of 0.25 Baht per share, however, separate financial statements in 2015 shown net loss, dividend payout ratio in 2015 cannot be calculated.

** The dividend payout ratio in 2017 is subject to the resolutions of the AGM 2018

Management Discussion and Analysis

This MD&A report has been prepared based on the consolidated and separate statements of GFPT Public Company Limited ("GFPT" or "the Company") and its subsidiaries (collectively, "GFPT Group") for the year ended December 31, 2017 as well as included any significant transactions occurred during the year 2017.

GFPT Group operates fully integrated poultry business involving the production and distribution of feeds, frozen chicken meat, processed chicken and its by-products under both the customers' and the company's brand name for both domestic and international markets.

GFPT's strategy is committed to being one of the leader in the poultry processing industry by focusing on the highest quality of food and safety standards throughout our operation, right from the animal feeds through the end products delivered to our customers. Furthermore, the Company maintains its competitive advantage by concentrating on its 100% own farm policy and cost efficiencies through economies of scale.

GFPT Group has policy to mitigate risks from foreign exchange rate volatility, which occurred from export sale and raw material importation by hedging forward contract from several financial institutions.

Industry Overview

In 2017, chicken production in Thailand is recovered; an increase of 4.61% from 2016 is accounted. The factors that drive overall chicken situation are rising domestic demand and increase in export. Approximately 1,470.26 million broilers are raised in 2017. Moreover, since Thailand is Avian Flu-free zone, the exports of chicken meat products increase favorably and hence the broiler production.

Volume of Thai chicken meat export in 2017 is about 790,000 tons and worth THB 101,800 million, an increase of 6.33% from 2016. As for the export market, Japan is the most important market of Thai chicken meat products. In 2017, export of chicken meat products to Japan is approximately 422,000 tons, an increase of approximately 12.49% from 2016.

However, export to the EU, the second largest market of Thai chicken meat export decreases by 6.35% from 2016 to 273,000 tons in 2017. Besides these two major markets, export of Thai chicken meat products to other countries in 2017 such as South Korea, Hong Kong, Malaysia and Canada is approximately 95,000 tons, an increase of 24.46% from 2016.

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A summary of the key operational matters and events for the year 2017

GFPT Group had total revenue from sales of THB 16,928.47 million in 2017, representing an increase of THB 235.45 million or 1.41% up from 2016 mainly from higher revenue from sales of farm segment and chicken processing segment which increased by 10.43% and 4.78%, respectively.

Increasing in live broilers sales to GFN as well as growth in export volume strongly supported growth in consolidated revenue which partially offset by slowdown in feed sales.

The consolidated gross profit in 2017 was THB 2,777.55 million, improved by THB 275.81 million or 11.02% up from 2016. The consolidated gross profit margin contributed of 16.41% in 2017, increased from 14.99% in 2016 predominantly from lower major feed material cost and growth in chicken export volume.

In accordance with all reasons above, consolidated net profit in 2017 accounted for THB 1,748.35 million (or equal to EPS of THB 1.39 per share), or 6.37% up from 2016; which reflected another impressive year of GFPT group.

For capital structure of the Group, as at December 31, 2017, the consolidated debt to equity ratio was relatively low at 0.43 time and net debt to equity ratio of the Company was considerably low at 0.28 time.

Overall Financial Performance and Profitability

Business Segment of GFPT Group	2015		2016		2017	
	MB	%	MB	%	MB	%
Chicken Processing Segment	6,648.59	40.38	7,209.37	43.19	7,554.13	44.62
Feed Segment	4,457.61	27.07	3,907.83	23.41	3,379.98	19.97
Farm Segment	4,507.21	27.37	4,679.54	28.03	5,167.70	30.53
Processed Foods Segment	853.10	5.18	896.28	5.37	826.66	4.88
Total Sales	16,466.51	100.00	16,693.02	100.00	16,928.47	100.00

Revenue from Sale

The consolidated revenue from sales for 2017 were THB 16,928.47 million, an increase of THB 235.45 million or 1.41% from 2016, mostly from higher revenue from farm segment and chicken processing segment which increased by 10.43% and 4.78%, respectively, comparing to 2016. In contrary, revenue from feed segment declined by 13.51% comparing to 2016.

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The consolidated revenue from sales consisted of chicken processing segment represented 44.62%, feed segment represented 19.97%, farm segment represented 30.53%, and processed food segment represented 4.88%.

Chicken Processing Segment

In 2017, Revenue from chicken processing segment in 2017 consisted of revenue from direct export cooked chicken products and fresh frozen chicken meat, indirect export of chicken meat, and domestic sales of chicken parts, represented 44.62% of consolidated revenue from sales amounting THB 7,554.13 million, improved by THB 344.76 million or 4.78% up from 2016.

The Company's total export of chicken products was 30,600 metric tons, a growth of 2,300 metric tons or 8.13% up from 2016 mostly from significantly increased in export volume of cooked chicken products to Japan.

Feed Segment

Revenue from feed segment in 2017 consisted of revenue from animal feed, fish feed, and shrimp feed, represented 19.97% of consolidated revenue, amounting THB 3,379.98 million, reduced by THB 527.85 million or 13.51% down from 2016.

The revenue from feed segment continued declining in 2017 due to intense competition of both animal feed and aquatic feed business in Thailand. Moreover, swine business was declined because of recession in swine price in past 2 years. Draught situation in Thailand also affected aquatic feed sales. In conclusion, all these factors pressured revenue of feed segment reflecting decreasing in revenue from sales of animal feed and aquatic feed by 10.06% and 16.14%, respectively.

Farm Segment

Revenue from farm segment in 2017 consisted of revenue from live broilers sales to GFN (our joint venture) and selling day-old-chicks sales, represented 30.53% of consolidated revenue, amounting THB 5,167.70 million, an increase of THB 488.16 million or 10.43% up from 2016.

Revenue from live broilers sales to GFN has been increasing since GFN started its operation in 2010. As a result, sales volume of selling live broilers to GFN in 2017 improved by 8.56% comparing to 2016.

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Processed Foods Segment

Revenue from processed foods segment in 2017 consisted of chicken sausage, and other processed chicken products for domestic market, represented 4.88% of consolidated revenue. In 2017, the revenue from processed foods was THB 826.66 million, dropped by THB 69.62 million, or 7.77% down from 2016.

Revenue from processed foods segment in 2017 decreased from lower sales volume of processed foods which decreased by 13.90% which partially offset by 6.23% higher selling price comparing to 2016.

Cost of Sale

Cost of sales for 2017 was THB 14,150.92 million, slightly decreased by THB 40.36 million or 0.28% down from 2016 mainly from lower cost of feed materials. The market price of corn and soybean meal reduced by 5.07% and 3.58%, respectively. Overall, the cost of sales for 2017 contributed of 83.59% of total sales, weakened from 85.01% in 2016.

Gross Profit

The consolidated gross profit in 2017 was THB 2,777.55 million, improved by THB 275.81 million or 11.02% up from 2016. Widen gross profit in 2017 was primarily from higher revenue from sales and lower cost of sales. Consequently, the consolidated gross profit margin contributed of 16.41% in 2017, increased from 14.99% in 2016.

Other Income

The consolidated other income in 2017 was THB 318.24 million, decreased by THB 11.66 million or 3.53% down from 2016, predominantly from decreasing of gain in foreign exchange rate due to weakening of USD against THB. The consolidated other incomes in 2017 was 1.88% of total sales, slightly decreased from 1.98% in 2016.

Selling General and Administrative Expense

The consolidated SG&A expenses in 2017 equaled to THB 1,316.20 million, increased by THB 73.56 million or 5.92% up from 2016. The Consolidated SG&A expenses increased from higher freight cost as reflect from higher export volume, higher transportation costs, and higher donations expenses comparing to 2016. The consolidated SG&A expenses in 2017 were 7.78% of total sales, slightly increased from 7.44% in 2016.

Share of Profit from Associated Company

The consolidated share of profit from associated companies based on the equity method in 2017 was THB 272.02 million, decreased by THB 99.17 million, or 26.72% down from 2016 mainly from McKey's profit contribution; which was THB 171.95 million, dropped by THB 63.81 million or 27.07% decreased from 2016. McKey had higher pre-operating cost in 2017 from opening of new further processing factory. Furthermore, GFN's profit contribution was THB 100.07 million, decreased by THB 35.36 million or 26.11% down comparing to 2016.

Financial Cost

Financial costs of the group include the interest paid to financial institutions and related persons. The Company's financial costs in 2017 were THB 74.36 million, dropped by THB 23.67 million or 24.14% down from 2016 mainly from lower amount of interest paid to financial institutions and related persons comparing to 2016. Costs of funds were 2.08% as at December 31, 2017 slightly decreased from December 31, 2016 at 2.58%. The consolidated financial costs of the group in 2017 were 0.44% of total sales, slightly decreased from 0.59% in 2016.

Corporate Income Tax

Corporate income tax of the Group in 2017 was THB 219.32 million, increased by THB 13.63 million or 6.63% up compared to corporate income tax of THB 205.69 million in 2016. An increase in corporate income tax was directly impacted by higher corporate income tax expenses comparing to 2016.

Net Profit

The consolidated net profit in 2017 was THB 1,748.35 million, increased in amount of THB 104.65 million or 6.37% increased from THB 1,643.70 million in 2016. The EPS of 2017 was THB 1.39 per share. The increase in consolidated net profit was primarily driven from the increase in revenue from sales and lower cost of sales comparing to 2016. The consolidated net profit margin in 2017 was 10.33% of net sales, improved from 9.85% in 2016.

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

The consolidated EBITDA in 2017 was THB 3,276.37 million, an increase of THB 179.35 million or increased by 5.79% from 2016. The increasing in consolidated EBITDA resulted from higher revenue from sales mainly from increasing in live broilers and export sales volume. The EBITDA margin in 2017 was 19.35%, increased from 18.55% in 2016.

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Unit: Million Baht

	2015	2016	2017
EBIT	1,316.82	1,960.19	2,051.61
Depreciation Expense	1,064.95	1,131.10	1,216.21
Amortization Expense	4.89	5.73	8.55
EBITDA	2,386.66	3,097.02	3,276.37
EBITDA Margin (%)	14.49	18.55	19.35

Return on Equity

In 2017, return on equity of the Company and its subsidiaries was 15.24% slightly decreased from 16.26% in 2016; resulting from slightly higher efficiency in profit generation; whilst, lower asset utilization and lower risk from 2016 as follow:

DuPont Analysis	2015	2016	2017
Return on Equity or ROE ¹⁵ (%)	13.15	16.26	15.24
Operating Profit Margin ¹² (%)	8.00	11.74	12.12
Total Assets Turnover ¹⁸ (times)	1.16	1.09	1.03
Equity Multiplier (times)	1.58	1.54	1.46

Financial position

Asset

For the consolidated financial position as of December 31, 2017, total assets of GFPT Group equal to THB 17,365.56 million including THB 5,371.82 million (30.93% of total assets) in current assets, THB 8,012.60 million (46.14% of total assets) in property, plant and equipment (PP&E), THB 2,671.77 million (15.39% of total assets), in investments in associated companies, THB 477.05 million (2.75% of total assets) in grandparent chicken and parent chicken and THB 832.32 million (4.79% of total assets) in investment in property and other assets.

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Total assets as at December 31, 2017 increased in amount of THB 1,205.23 million or 7.46% up from December 31, 2016 from an increase in PP&E of THB 581.85 million, an increase in cash and cash equivalent of THB 425.40 million, and an increase in investments in associates of THB 223.02 million. In 2017, the consolidated return on asset was 10.43% times, slightly lower than 2016 at 10.56%.

Trade and other Receivable

In 2017, the Company and its subsidiaries recorded allowance for doubtful accounts in amount of THB 34.41 million, slightly increased from THB 33.78 million in 2016. The allowance for doubtful accounts was at acceptable level of 3.49% of total trade receivables. The average collection period of the Company and its subsidiaries was 20 days in 2017, slightly decreased from 21 days in 2016. The account receivable turnover was 17.78 times, slightly increased from 17.27 times in 2016.

Inventory

In 2017, the consolidated inventories of THB 3,608.19 million, slightly decreased by THB 45.14 million or 1.24% down from 2016; primarily from decreasing in raw materials and medical supplies. The inventory turnover period was 5 days, remained the same as 2016. The Company and its subsidiaries recorded allowance for non-movement inventories in amount of THB 2.88 million and allowance for decline in value of inventories in amount of THB 10.01 million which accounted only 0.36% of total inventories value. It showed that the Company managed inventory appropriately.

Liability

As at December 31, 2017, total liabilities of the Company and its subsidiaries was THB 5,204.58 million comprising of current liabilities of THB 2,975.28 million (57.17% of total liabilities), long-term loans of THB 1,700.00 million (32.66% of total liabilities), provision for employees benefit of THB 384.97 million (7.40% of total liabilities), advance received for rental income from associates of THB 91.58 million (1.76% of total liabilities), and other non-current liabilities of THB 52.75 million (1.01% of total liabilities).

The total liabilities as at December 31, 2017 decreased by THB 176.66 million or 3.28% down from December 31, 2016 primarily from short-term loans from financial institutions decreased in amount of THB 281.37 million. All short-term and long-term loans of the group are in THB currency only, thus; The Company has no exposure in foreign currency borrowings.

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In 2017, trade and other payables of the Company and its subsidiaries was THB 925.34 million, increased in amount of THB 38.87 million or 4.39% increased from 2016. In 2017, account payable turnover was 20.43 times, slightly decreased from 2016 at 22.54 times. The consolidated average payment period in 2017 was 18 days, slightly increased from 16 days in 2016.

The consolidated interest-bearing liabilities as at December 31, 2017 were THB 3,576.70 million, decreased from 2016 in amount of THB 229.70 million mainly from the lower short-term loans from financial institutions in amount of THB 281.38 million.

Shareholders' Equity

As at December 31, 2017, the consolidated shareholders' equity in amount of THB 12,160.98 million, increased by THB 1,381.89 million or 12.82% up from December 31, 2016; primarily from the increase in retained earnings in amount of THB 1,372.33 million. The consolidated book value as at December 31, 2017 was THB 9.70 per share, increased from THB 8.60 per share in 2016.

Liquidity**Cash Flow Activity**

In 2017, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 2,455.73 million, increased by THB 367.21 million from 2016; resulted primarily from higher profit before income tax. The cash cycle of the Company and its subsidiaries was 8 days in 2017, decreased from 10 days in 2016.

The Company and its subsidiaries used cash in its investing activities in amount of THB 1,350.14 million, decreased by THB 262.67 million from 2016. The investing activities was made mostly in the investment in fixed assets in amount of THB 911.86 million and the grandparent and parent breeder stocks in amount of THB 536.26 million.

The Company and its subsidiaries used net cash from its financing activities in an amount of THB 680.20 million, decreased by THB 77.13 million from 2016, mainly from dividend payment of THB 376.02 million.

As at December 31, 2017, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 736.26 million, increased by THB 425.40 million from 2016.

Liquidity Ratio

In 2017, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations and had strong financial position. As at December 31, 2017, the consolidated current ratio was 1.81 times, slightly increased from 1.54 times in 2016. The quick ratio in 2017 was 0.57 times, increased from 2016 at 0.37 times. The cash ratio of the Company was 0.80 time, slightly increased from 2016 of 0.68 time.

Short-Term Debt Maturity

As at December 31, 2017, the Company and its subsidiaries' current liabilities of THB 2,975.28 million comprise of short-term loans from financial institutions of THB 1,650.00 million, trade payables and other payables THB 925.34 million, other current liabilities THB 333.24 million, and the current portion of long-term loans from financial institutions of THB 66.70 million.

Due to its strong position in cash flow and liquidity, the Company and its subsidiaries can repay the debt obligations including trade payables and other payables, short term loans, the current portion of long-term loans from financial institutions, and interest expenses. The repayment can be made from cash flow from operation activities. In 2017, the consolidated current ratio was 1.81 times, the net debt to equity ratio was low at 0.28 time.

The Company and its subsidiaries still had available credit line of the revolving short-term borrowings with financial institutions including bank overdraft in amount of THB 242.00 million and short-term loans, letters of credit, trust receipts, packing credit and forward foreign exchange contract in amount of THB 8,097.45 million.

Capital Structure

The Company and its subsidiaries had strong financial position. As at December 31, 2017, the consolidated debt to equity ratio was 0.43 time, slightly decreased from 0.50 time as at December 31, 2016.

As at December 31, 2017, the consolidated interest-bearing liabilities were THB 3,576.70 million, decreased from THB 3,806.40 million as at December 31, 2016. The net debt to equity of the Company was considerably low at 0.28 time, slightly decreased from 0.35 time in 2016. In summary, the Company had appropriate capital structure.

Capital Expenditure and Capital Resource

In 2017, the Company made an investment of THB 1,350.14 million; mostly in purchasing of fixed assets in amount of THB 911.86 million and grandparent breeder and breeder stocks in amount of THB 536.26 million.

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According to the investment plan in 2017, the Company has continued to expand its broiler farm capacity, and processed food plant (sausage). The investment was paid from cash flow from operations, short-term loans, and long-term loans.

Besides, McKey finished its Greenfield expansion of a new further processing plant with capacity of 30,000 metric tons per year in 4Q2017. GFN also increased its chicken processing capacity from 130,000 to 150,000 birds per day

In the few years ahead, the Company has planned for its future organic growth by investing in Greenfield project. The vertical integrated chicken production will be expanded all along the stream. First of all, the broiler farm operation, will be expanded to reach capacity of 384,000 birds per day by 2020. The slaughter house with a capacity of 150,000 birds per day will be newly built by 2020. Finally, further processing plant for cooked product for export with capacity of 24,000 metric tons per year will be constructed by 2022.

The investment budget for these projects is estimated to be around THB 1,200 – 1,500 million per year. However, this expansion plan can be adjusted depending on changes of future situation.