



# Fulfill Happiness

ANNUAL  
REPORT  
2015

Sermsuk Public Company Limited



# Table of Contents

Message from Chief Executive Officer to Shareholders	4
Board of Directors	6
Executives	11
An Introduction to Sermasuk CSR (Corporate Social Responsibility) Initiatives	15
Policy and Business Overview	26
Business Operations	34
Risk Factors	38
Basic Information	41
Shareholders	42
Dividend Pay-out Policy	43
Management Structure	44
Corporate Governance	51
Corporate Social Responsibilities : CSR	67
Internal Control and Risk Management	73
Connected Transactions	75
Financial Data and Financial Statements	82
Management Discussion and Analysis: MD&A	151
Information of the Company's Directors, Management and Company Secretary	154
Report of the Board of Directors' Responsibility on the Financial Statements	162
Report of the Audit Committee	163
Report of the Risk Management Committee	164

Investors can review listed companies' financial statement in the Annual Report and SEC filing (Form 56-1) as shown on [www.sec.co.th](http://www.sec.co.th)











## **“Message from Chief Executive Officer to Shareholders”**

The business environment in 2015 was similar to that in 2014. We faced a stagnant economic situation leading to weak consumer confidence, combined with intense competition between players in all segments of the beverage market, who invested bigger budgets in order to win more market share. Sermasuk held the line, maintaining our market presence despite these difficult conditions. This reflects our company's strength as well as our exceptional employees.

2015 was also a year of transformation for Sermasuk. We made many changes to follow a long-term path for sustainable growth, from realigning our business strategy to operational improvements. We reformed our sales force to succeed in a much more competitive market, from the pre-sales approach and system realignment to handling a greater number of product SKUs. Sermasuk also cultivated a new attitude among our people to work proactively as a real sales force.

Sermasuk made major leadership changes by adding several high-caliber senior



executives, including the appointment of Mr. Vivek Chhabra as President. Having worked for F&N in several countries, he brings many years of experience in the beverage industry to his senior executive position. Mr. Chhabra will continue to develop and grow Sermasuk's non-alcoholic product portfolio in the Thai and ASEAN markets.

Looking ahead, the marketplace will remain economically challenging. At Sermasuk, it is a privilege for us to have a solid footprint, high-quality production system, nationwide distribution system, second-to-none logistics system, committed employees, and strong customer base. We are equipped with the competencies and strengths needed to navigate our way through all the challenges we face.

I would like to thank our shareholders for their understanding and trust in Sermasuk even in difficult times. In addition, I would like to express my deep appreciation to our management team, our partners, and our staff for their continued dedication to Sermasuk.



**Mr. Somchai Bulsook**

Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee



## Board of Directors



**Mr. Photipong Lamsam**

Chairman and Independent Director



**Mr. Suchin Wanglee**

Vice Chairman No.1, Independent Director,  
Chairman of Compensation Committee  
and Member of Audit Committee



**Mr. Chotiphat Bijananda**

Vice Chairman No.2, Executive Director,  
Member of Compensation Committee and  
Member of Nominating and Corporate  
Governance Committee

*"Resigned as Executive Director  
on October 1, 2015"*

## Board of Directors



**Mr. Somchai Bulsook**

Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee



**Mr. Thapana Sirivadhanabhakdi**

Vice Chairman No.3, Vice Chairman of Executive Committee No.3, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee



**Mr. Dhitivute Bulsook**

Director, Vice Chairman of Executive Committee No.3, Member of Risk Management Committee and President

\*Resigned as President and appointed as Vice Chairman of Executive Committee No.3 on October 1, 2015\*



## Board of Directors



**Prof. Dr. Khunying  
Suchada Kiranandana**

Independent Director, Chairman of  
Audit Committee and Chairman of  
Risk Management Committee



**Mr. Pramoad Phornprapha**

Director



**Prof. Rawat Chamchalerm**

Independent Director



## Board of Directors



**Mr. Rangsak Thammaneeewong**

Director



**Mr. Sakchai Thanaboonchai**

Director



**Mr. Sithichai Chaikriangkrai**

Director, Vice Chairman of Executive Committee No.2  
and Member of Risk Management Committee

## Board of Directors



**Mr. Marut Buranasetkul**

Director and Executive Director



**Mrs. Siripen Sitasuwan**

Independent Director, Member of  
Audit Committee and Member of  
Risk Management Committee



**Mr. Vivek Chhabra**

Director, Member of Risk Management Committee,  
Executive Director and President

\*Appointed as Director on September 8, 2015  
and appointed as Member of Risk Management  
Committee, Executive Director and President  
on October 1, 2015\*

## Executives



**Mr. Somchai Bulsook**

Chief Executive Officer



**Mr. Vivek Chhabra**

President

\*Appointed as President  
on October 1, 2015\*\*



## Executives



**Mr. Arthakrit Visudtibhan**

Human Resources Director



**Ms. Tienthip Narach**

Finance Director



**Mr. Parinya Permpanich**

Sales Director

## Executives



**Mr. Phromson Ayanaputra**

Business Development Director

\*Appointed as Business Development Director  
on May 18, 2015\*



**Mr. Peerapong Krinchai**

Operations Director



**Mr. Pibul Voravath**

General Group Manager and  
General Plant Manager, Pathum Thani

## Executives



**Mr. Pongwit Sumethmethachai**

General Plant Manager, Nakhon Sawan

\*Appointed as General Plant Manager,  
Nakhon Sawan on April 16, 2015



**Mr. Kwanchai Mahapornprachak**

General Plant Manager, Nakhon Ratchasima



**Mr. Viraj Ithikumjorn**

General Plant Manager, Surat Thani



## Corporate Social Responsibility Report

### 1. Human and Labour Rights

- 1.1 Crystal drinking water kicked off The 2015 Rainbow Run featuring a run / walk fundraising event for special needs in Thailand
- 1.2 The Pathum Thani Plant: Granted an "outstanding award" as a pioneering organization due to 100% of its employees wearing safety helmets
- 1.3 The Surat Thani Plant: Supporting a special talk under the topic of, "Work & Life Balance by Dharma" by Phra Maha Sompong Talaputto

### 2. Environmental Issues

- 2.1 Power Plus: Sponsored Nation Bike Thailand 2015, promoting cycling for the sake of environmental conservation
- 2.2 The Chonburi Plant: Joined the People's Voluntary Forest Plantation for 800 Million Saplings Project in celebration of Her Majesty Queen Sirikit's 80th Birthday anniversary

### 3. Consumer Issues

- 3.1 Sermasuk received ISO 22000:2005 Food Safety certification and became Thailand's leading beverage producer, meeting the three international quality standards

### 4. Corporate Engagement and Community Development

- 4.1 Sermasuk contributed funding to the Thailand Institute of Packaging and Recycling Management for Sustainable Environment 2014-2015
- 4.2 The Pathum Thani Plant: Provided food and goodies to children with cerebral palsy at Rachawadee House
- 4.3 The Nakhon Ratchasima Plant: Employees and locals took part in blood donation
- 4.4 The Nakhon Sawan Plant: CSR activities held on Children's Day and Father's Day



## An Introduction to Sermasuk CSR (Corporate Social Responsibility) Initiatives

Sermasuk Public Company Limited commits deliver, consistently and sustainably, corporate social responsibility practices that permeate every part of the organization, including its headquarters, and each of Sermasuk's five plants. These plants have received the CSR-DIW (Corporate Social Responsibility, Department of Industrial Works) Continuous Award for seven consecutive years. The award ceremony, joined by executives of the Department Industrial Works, happened in September 2015 at Impact Arena, Muang Thong Thani.

Since 2009, all of Sermasuk's plants have joined the CSR-DIW Program organized by The Department of Industrial Works, Ministry of Industry. Sermasuk's core operations involve ISO 26000 Social Responsibility as it continues to pursue its CSR activities regarding sustainable development. This development consists of economic, social, and environmental pillars, ensuring that our economic growth maintains trust from both the public sector and our private stakeholders. It also builds recognition and a happier, interdependent society, in line with the name "Sermasuk" itself that represents a philosophy of **"fulfilling happiness for all people."**





Throughout 2015, Sermasuk continued to pursue different CSR initiatives, as follows:

## 1. Human and Labour Rights

### 1.1 Crystal drinking water organized "The Rainbow Run #4 featuring Run / Walk," a fund-raising event for special needs in Thailand



Crystal drinking water, led by Ms. Prangnee Chaipidej, Assistant Marketing Director with Sermasuk, and The Rainbow Room Foundation, joined hands with the coolest running group in Bangkok – "the Punky Runners."

The Thai Health Promotion Foundation organized "The Rainbow Run #4 Featuring Run / Walk" event, a fund-raising event under the theme of "Be Different, Be Kind," to raise awareness for special needs in Thailand and promote running and walking for good health. These activities are suitable for both able-bodied people and people with special needs. Over 6,000 amateur and professional runners attended the event, which featured 2.5, 5, 7.5, and 10-kilometer distances including a "50m Dash for Kids," a short-running activity for young runners that was held at Lumpini Park.





### 1.2 The Pathum Thani Plant: Granted an "outstanding award" as a pioneering organization due to 100% of its employees wearing safety helmets

Sermsuk's Pathum Thani Plant received an "outstanding award" for being a pioneering organization from the Governor of Pathum Thani and Commander of the Pathum Thani Province Police. This is in recognition of 100% of its employees wearing safety helmets. This collaborative program between Provincial Police Region 1 and Road Accident Victims Protection Co., Ltd. aims to promote the Decade of Road Safety in Thailand that commenced on March 27, 2015. The program included a seminar, hosting executives of companies in Central Thailand.

Sermsuk participated by ensuring that its Pathum Thani plant staff cooperated in wearing helmets for road safety, while they plan to extend participation to employees in other Sermsuk businesses.



### 1.3 The Surat Thani Plant: Supporting a special talk under the topic of, "Work & Life Balance by Dharma" by Phra Maha Sompong Talaputto

Employees at Sermsuk's Surat Thani plant took part in "Work & Life Balance by Dhamma" by Phra Maha Sompong Talaputto, organized by Thai Beverage Logistics Co., Ltd. at the Surat Thani Distribution Center. This special lecture, led by Phra Maha Sompong Talaputto, aimed to teach participants how to use Dhamma, such as the four principles for accomplishing self-development and a stable, successful life (Iddhippada 4), and how to find happiness in their work and personal life. The talk included the activity of "food offerings to Buddhist monks...Doing Good to Vision 2020."





## 2. Environmental Issues

### 2.1 Power Plus sponsored Nation Bike Thailand 2015, promoting cycling for the sake of environmental conservation

Power Plus joined hands with Nation Broadcasting Corporation PLC. To organize Nation Bike Thailand 2015, in order to promote cycling to people in Thailand. In collaboration with Power Plus Energy Drink, the campaign aimed to boost awareness for healthy lifestyles and environmental conservation among people in Thailand by kicking off mass cycling activities in 22 provinces nationwide. Over 40,000 cyclists attended the event, covering a total distance of over 600 kilometers.



The Nation Bike Thailand 2015 by Power Plus energy drink aimed to promote awareness for environmental conservation in Thailand by promoting cycling to people in Thailand, under the theme "Boost Your Energy in Every Activity." The campaign took place at cycling trails in Surat Thani and Rayong provinces.

For the cycling trail in Surat Thani, a large number of southern cyclists attended the event to help promote good health and do a good cause, in celebration of the 100-year anniversary of Surat Thani province. The supporting activity "Garbage Collection to Save the World" delivered an environmental conservation message at Koh Lampoo Public Park in Surat Thani province. At the end of the event, a recycling parade collected over 500 kilograms of garbage and recyclable materials. Established and sponsored by Sernsuk, the campaign aims to provide knowledge about recyclable material management through upstream segregation of used packaging.

Sernsuk held the same activity simultaneously in Rayong province. It included the "Cycling along Pak Nam Prasae" event where volunteers collected garbage and recyclable materials totaling over 700 kilograms. The volunteers then further segregated the collected material and took it to be recycled at the Recycling Bank of Wat Thanon Kaprao School. Here, educators used this material in their school activities. Power Plus donated sports equipment to Wat Thanon Kaprao School to help promote a healthy lifestyle.





## 2.2 The Chonburi Plant: The People's Voluntary Forest Plantation for 800 Million Saplings Project in Celebration of Her Majesty Queen Sirikit's 80th Birthday



In 2015, in support of The People's Voluntary Forest Plantation for 800 Million Saplings Project in celebration of Her Majesty Queen Sirikit's 80th Birthday, employees of Sermasuk's Chonburi Plant, together with local state agencies, private sector representatives and locals, join the project as enthusiastic volunteers. They helped to replant forests, providing free rest and Crystal drinking water for everyone in attendance. The project aimed to show gratitude to Her Majesty the Queen, and contribute to her royal charity to coincide with her 83rd birthday on August 12, 2015. The Queen is passionate about natural resource and environmental conservation, and envisions increasing green areas surrounding both Nong Mai Daeng sub-district and communities near Sermasuk's plant.

With the continuous collaboration between Sermasuk and Nong Mai Daeng Municipality since 2009, they have conserved mangrove forest areas and local forests near the Chonburi Plant. This highlights Sermasuk's commitment and vision in supporting community development, and enabling surrounding communities to flourish in different dimensions that consist of economic, social, and environmental pillars.





### 3. Consumer Issues

#### 3.1 Sermasuk received ISO 22000:2005 Food Safety certification and became Thailand's leading beverage producer, meeting the three international quality standards



Sermasuk Plc. appreciates the importance of safety, and offering safe products to consumers. The company has acquired ISO 22000:2005 Food Safety Management System certification in its five plants. Together with employees' attentiveness and generous support from the executive teams at headquarters, Sermasuk's five plants achieved this ISO 22000:2005 Food Safety Standards by SGS (Thailand) Limited certification in 2014-2015.

This comprehensive certification covers systems for food safety management, responsibilities of the executive management team, resource management, safety planning and production, process validation, and monitoring and improving the systems for food safety management.

Currently, Sermasuk is Thailand's leading beverage producer that meets the three international quality standards, including ISO 22000:2005 Food Safety Management System, GMP and HACCP certifications. This establishes Sermasuk as the leading distributor and producer presenting unique and safe food and beverage products meeting international standards for Thai consumers. This also marks another stepping stone to achieving Sermasuk Vision 2020. Sermasuk are well on their way to becoming the dominant refreshment beverage and food company in Thailand, offering best-in-class quality products and services to consumers as well as increasing benefits to stakeholders.





## 4. Corporate Engagement and Community Development

### 4.1 Sernsuk contributed funding to the Thailand Institute of Packaging and Recycling Management for Sustainable Environment 2014-2015



Mr. Wanchai Saengprae, Operation Assistant Director and representative of Sernsuk, presented 1 million baht in funds for 2014-2015 to the Thailand Institute of Packaging and Recycling Management for Sustainable Environment (TIPMSE). This is to underline the concept packaging is not waste, which aims to encourage Thai people to realize the significance and benefits of recycling, and of upstream segregation. Mr. Supan Mongkolsuthee, Chairman of The Federation of Thai Industries, received the funding at The Federation of Thai Industries in Queen Sirikit National Convention Center.

Among the significantly successful programs were the "zero baht shop," where people bring in recyclable waste and exchange it for household items and foods. The "Wisdom Project of Recycling Society Network in Four Regions" aims to build a comprehensive packaging management network, and aims to broaden the network to nearby communities and incorporate educational institutions in each region. For other good-cause programs, visit [www.tipmse.or.th](http://www.tipmse.or.th).





#### 4.2 The Pathum Thani Plant: Providing food and goodies to children with cerebral palsy at Rachawadee House

The Pathum Thani Plant joined hands with the Royal Thai Armed Forces' Directorate of Joint Civil Affairs, led by its Director-General, together with the Thai Business Association. They organized a CSR activity on Children's Day, where representatives gave food and goodies to children with cerebral palsy at Rachawadee House.



#### 4.3 The Nakhon Ratchasima Plant: Employees and villagers took part in donating blood

Employees' at the Nakhon Ratchasima Plant and locals of the nearby Virot Pattana community took part in another good-cause activity for social responsibility. This time, they donated blood to the Thai Red Cross Society, which provided its mobile blood donation vehicles for use at the Nakhon Ratchasima plant on May 29, 2015.





#### 4.4 The Nakhon Sawan Plant: Activities held on Children's Day and Father's Day

##### : Children's Day Activity

The Nakhon Sawan Plant joined hands with the Department of Royal Rainmaking and Agricultural Aviation to organize a Children's Day activity. Mr. Wathee Boonraksa, Head of Checker / Administration Office and President of Community Relations, together with Sermasuk's employees, helped fulfill happiness by providing "est" to participating children and parents at an event attended by over 1,000 people.



##### : Father's Day Activity

On Father's Day, Sermasuk's Nakhon Sawan plant, led by Mr. Wathee Boonraksa, Head of Checker, Administration Office, together with employees, joined hands with 1,200 teachers and students from the Tessaban Wat Jom Khiri Nak Prot School. Together they organized an activity of offering food to Buddhist monks in honour of HM the King. They also participated in a candle lighting ceremony in celebration of HM the King's Birthday.







Fulfill Happiness

Sermasuk Public Company Limited and its Subsidiaries

## Policy and Business Overview

### 1. Policy and Business Overview

#### Business Overview and Development

Sermasuk Public Company Limited was established to operate the beverage business by a group of 7 founders who tendered an application to register the company with start-up capital of eight million baht. The Company was opened on April 18, 1952 with the “Pepsi” beverage product, which was first produced at Silom Plant and available in the Thai market on March 18, 1953.

On March 31, 2011, the Board of Directors resolved to terminate the Exclusive Bottling Appointment Agreement (“EBA”) with Pepsi in Thailand. The 2011 Annual General Meeting of Shareholders held on April 29, 2011 approved the action taken by the Company in relation to the Agreements between the Company and PepsiCo (including the termination of agreements). In July 2011, the Company received a letter from Pepsi-Cola (Thai) Trading Company Limited, Seven-Up Nederland, B.V. (collectively referred to as “**PepsiCo Group**”) and SS National Logistics Company Limited (“**SSN**”) informing the Company that PepsiCo Group and SSN (collectively referred to as the “**Major Shareholders Group**”) executed an Agreement to Sell and Purchase Shares in the Company. With regards to the EBA, if the PepsiCo Group sold the shares to SSN and/or an SSN investor, there was a condition prescribing that the Company and Pepsi shall extend the period of the EBA for seven months from April 1, 2012.

Subsequently, Thai Beverage Logistics Company Limited, which is the SSN investor, acquired the shares from the PepsiCo Group and made a voluntary tender offer to the Company’s shareholders. The Company executed the letter extending the effectiveness the EBA for seven months from April 1, 2012. As a result, the EBA was terminated at the close of business on November 1, 2012. The other agreement in connection with the EBA, the Agreement for Cooperative Advertising and Marketing Principles (“**COOP**”) was terminated on the same date. Since the termination of the EBA on November 1, 2012, the Company has been the producer and distributor of the products under the “est” trademark.

On December 23, 2014 Great Brand Limited, a direct wholly-owned subsidiary, completed the sale of “est” trademark to Super Brands Company Pte Ltd. that is ThaiBev’s indirect wholly-owned subsidiary. The earning will be spending on strengthening existing business operations such as manufacturing and distribution which is the forte of the Company. Besides, ThaiBev Group will be giving its full support to promote the “est” trademark both locally and regionally.

Subsequently, on December 28, 2015, Thai Beverage Logistics Company Limited sold the Company’s common shares in totaling 171,923,138 shares or representing 64.66% of total paid-up capital to So Water Company Limited who is indirect subsidiary of the group of Thai Beverage PLC whose holds 100% of the total share in such company. In addition, such change is only for internal shareholding restructuring purpose of Major shareholder and there is no change in the Company including management policies and operations.

Currently, the Company operates under its future business plan utilizing a variety of resources and assets as well as its strong product distribution and delivery network to enhance steady and sustainable growth.

#### 1.1 Vision, Business Objectives, Goals and Strategies of the Company

##### Vision

Sermasuk Public Company Limited has its new corporate vision to be Thailand’s ‘**Quality Products Producer and Distributor**’

##### Mission

The Company’s mission is “To Fulfill Happiness” with high quality food and beverage products for Thai consumers in order to enhance the stability and sustainability in its business growth.



## Policy and Business Overview

### Business Objectives and Plan

The Extraordinary General Meeting of Shareholders No.1/2011 held on February 15, 2011 approved that the Company proceed with the future business plan, which was later amended by the resolution of the 2011 Annual General Meeting of Shareholders held on April 29, 2011 and the Extraordinary General Meeting of Shareholders No 2/2011 held on August 26, 2011. The summary of the Company's future business plan is as follows:

### The Company's Business Plan with a Focus on Four Business Pillars

**1<sup>st</sup> Business Pillar:** To expand the non-carbonated beverage market, by introducing new products under the Company's trademark to the market, or acquiring a business which has recognized products or trademarks in the market, or retaining or applying for a license, or acquiring the right to manufacture and distribute, or entering into agreements in any other form, for non-carbonated beverages under the trademark of another person. The Company may operate any other business as long as this will not have any conflict with or be inconsistent with the future business plan, including the use of the Company's assets or the operations of any other business under the capacity of the Company, as deemed appropriate by the Board of Directors.

**2<sup>nd</sup> Business Pillar:** To increase investment in the production line of Crystal Drinking Water in order to respond to increase in demand.

**3<sup>rd</sup> Business Pillar:** To be a distributor of other products apart from beverage products.

**4<sup>th</sup> Business Pillar:** To be a manufacturer of carbonated beverages under any other trademark.

Since the termination of the EBA on November 1, 2012, the Company has been the producer and distributor of the products under the "est" trademark.

### Business Objectives

The Company sets the following business objectives:

#### Volume and Market Share Growth Target

To set the Company's annual growth target for volume and market share, several factors have been considered, for example the general economic situation, changes in consumer tastes and behavior, market competition, competitor's strengths and weakness, competitor's past activities, and other relevant factors. The Company's target setting is based on the analysis of market trends and future projections including the assessment of the Company's strengths and weaknesses in order that the planned activities including the introduction of new products will support the achievement of sales, market share and volume targets.

#### Profit Maximization Target

In addition to sales growth, which results in increased profit, the Company also emphasizes efficiency and cost control. Key Performance Indicators (KPIs) have been set for each business unit as measurers of performance and efficiency.

#### People Development Target

The Company has set clear objectives in people development in all levels. The budget has been set aside for training and development regarding management/administration to ensure that employees will be equipped with new skills and shown new techniques to enhance their efficiency and performance. The development of its people via on-the-job training is also a Company focus area and this utilizes advice and instructions by supervisors.

#### Returns to Shareholders Target

The Company has a policy to return profit to shareholders in the form of consistent dividend payments, at a reasonable rate corresponding to the annual operating results. This is achieved through the activation of



## Policy and Business Overview

effective marketing campaigns that create demand for the Company's products and drive production volume and sales, thus generating returns on investment for investors and shareholders.

### Social Responsibility

The Company is committed to providing happiness to Thai people through a comprehensive range of quality and hygienic beverages that meet international quality standards. Our company has set a goal to enhance our corporate social responsibility along with other operational objectives in a fair and transparent manner. Our corporate citizenship efforts are extended to the public through a diverse range of social activations. Ultimately, Sermasuk aims to drive sustainable social and environmental development among Thai communities.

## 1.2 Major Corporate Change and Development

### Investment

Beginning with the initial start-up capital in 1952, the Company has increased its capital sequentially:

1952	The registered capital of Baht 8 million, Baht 100 per share
1953	The registered capital increased to Baht 15 million; Baht 100 per share
1966	The registered capital doubled to Baht 30 million; Baht 100 per share
1969	The registered capital grew to Baht 45 million; Baht 100 per share
1986	The registered capital of Baht 105 million; Baht 100 per share
1991	The par value was changed from Baht 100 per share to Baht 10 per share
1994	Sermasuk became a listed company with a registered capital of Baht 260 million
1997	The registered capital of Baht 265 million; Baht 10 per share
2001	With Baht 542,340 in lower registered capital (54,234 shares), the Company's registered capital was Baht 264,457,660 (26,445,766 shares). Later the Company's capital increased by Baht 3.5 million to Baht 267,957,660 (26,795,766 shares)
2003	The par value of the Company's ordinary shares was changed from Baht 10 per share to Baht 1 per share.
2009	The value of the Company's registered capital was Baht 2,057,176 million lower to reach Baht 265,900,484 (265,900,484 shares).

### Business Expansion

1952	The Company's Silom Plant started operations
1967	The Sermasuk Bangkhen Plant was opened on a 24 rai, 1 ngan and 30 5/10 square wah site with the relocation of equipment from the Silom Plant to the Bangkhen facility
1969	The Nakhon Ratchasima Plant was opened on a 31 rai, 1 ngan and 69 square wah site while the land on Silom was sold
1973	The Nakhonsawan Plant opened on a 24 rai, 1 ngan and 89 8/10 square wah site
1975	Being a listed company in Thailand
1978	The Pathum Thani Plant was opened on a 164 rai and 88 square wah site
1985	Appointed as the distributor of "M-100" and "M-150" products for Osothsapha Co., Ltd.
1993	Appointed as the distributor of Volvic mineral water for France-based BSN Group
1993	Began the production of drinking water under the "Crystal" brand



Sermasuk Public Company Limited and its Subsidiaries

## Policy and Business Overview

1995	Provide the distribution for “M Sport” and “M Coffee” beverage for Osothsapha Co., Ltd.
1997	The producer and distributor of “Lipton” tea beverage for Unilever Thai Holdings Co., Ltd.
1997	The opening of a plastic blow molding plant at its Pathum Thani Plant
1998	The Surat Thani Plant was opened on a 67 rai, 1 ngan and 78 square wah site
1999	The distributor of “Yo” beverage products for Sermasuk YHS Beverage Co., Ltd. (Currently known as Sermasuk Beverage Co., Ltd.)
2002	The Chon Buri Plant was opened on a 42 rai, 3 ngan and 72 square wah site
2002	The Company returned its distributorship rights for the “M” products to Osothsapha Co., Ltd., and reached an agreement to be the distributor of Carabao Daeng drinks for Carabao Tawandaeng Co., Ltd.
2003	The authorized producer and distributor of “Gatorade” sport drinks for Stokely Van Camp Inc, USA.
2004	Terminated the distribution of Yo soya milk product
2005	Signed an agreement to sell “Oishi” beverage products for Oishi Trading Co., Ltd.
2006	Signed an agreement to sell “Tropicana Twister” juice beverages in bottles for Pepsi Cola (Thai) Trading Co., Ltd.
2012	Terminated the distribution of Carabao Daeng and other beverage products under Pepsi Cola (Thai) Trading Co., Ltd., including Pepsi, Mirinda, Seven-Up and Tropicana Twister. Started the production and distribution of “est” products on November 2, 2012 Sermasuk Holdings Co., Ltd., took over Wrangyer Beverage (2008) Co., Ltd. to produce and sell beverage products under the Wrangyer, Power Plus and other brands
2013	Added two new packages for “est” include 250 ml. can and 850 ml. glass bottle Began producing and distributing “est” orange, strawberry, cream soda and lemon lime flavours. Added 1L PET bottle packaging for drinking water “Crystal” The distributor of “Wrangyer” energy beverage The distributor of fried seaweed “Onori”
2014	Launched 2 innovative packages in a 16-ounce glass bottle and a 1.6-litre PET bottle respectively. Also, rolled out 3 new packages for est, the “325-ml est Sleek can”, “250-ml est sleek can” and “non-returnable 250-ml glass bottle”. Started manufacturing and distributing sugar-free “est free” The sale transaction of “est” brand and trademark to Super Brands Company Pte. Ltd., On 23 December 2015
2015	“Est” adds “Lychee Pear” flavor to its portfolio, in a 325-ml. sleek can and a 490 ml. PET bottle and later 1.6 litter PET bottle in January. Furthermore, there are 2 new products launch which are 100 Plus and Jubjai in February and March, respectively. Ranger has been exported to the Malaysian market in July. The Company starts distribution Soda Chang in September Oishi green tea adds new flavors ranging from 1) Oishi Green Tea Watermelon-flavored in 380-ml. PET bottle, 2) Oishi Chakuza Sparkling Green Tea Honey Lemon Flavoured, Black Tea Lemon in 320-ml. sleek can, 3) Oishi Fuito Strawberry Melon and Green Apple White Grape flavors in 380-ml. PET bottle and 4) Oishi Kabusecha in 500-ml. PET bottle for Major Cineplex Group and its subsidiaries.

Sermsuk Public Company Limited and its Subsidiaries

## Policy and Business Overview

### 1.3 The Company's Shareholding Structure

Sermsuk PLC is primarily owned by two companies which are So Water Co., Ltd. and SS National Logistics Co., Ltd.

The Company has an indirect subsidiary company, Sermsuk Beverage Co., Ltd., which manufactures and co-packs Lipton Ice Tea, and sells directly to the Company or through Pepsi-Cola (Thai) Trading Co., Ltd., who sells the products to the Company for distribution. Currently, 99.99 percent of Sermsuk Beverage Co., Ltd., shares are held by Sermsuk Holdings Co., Ltd., a direct subsidiary company established on November 23, 2006 with the main objectives being to hold shares and manage investments in Sermsuk subsidiaries.

The Company holds 40 percent of the equity in Petform (Thailand) Co., Ltd., a manufacturer and distributor of PET polymers, PET bottles, and plastic closures. Additionally, Sermsuk Holdings Co., Ltd., (direct subsidiary), acquired Wrangyer Beverage (2008) Co., Ltd., to produce and sell "Wrangyer" energy drink, "Power Plus" sports drink and others for Sermsuk's distribution.



#### Details of Businesses in which the Company holds shares of 10% or more

##### Sermsuk Holdings Co., Ltd. (Direct Subsidiary)

Location of Head Office: 252/35-36, Muang Thai-Phatra Complex, 27-28th Floor, Rachadaphisek Road, Huay Kwang Sub-District, Huay Kwang District, Bangkok 10310

Telephone: 0-2693-2255 – 65

Fax: 0-2693-2266

Main Business: Share holdings and investment management

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares	Par Value	Number of Shares	%
60,000,000	Baht 10	59,999,998	99.99



Sermsuk Public Company Limited and its Subsidiaries

## Policy and Business Overview

### Sermsuk Training Co., Ltd. (Direct Subsidiary)

Location of Head Office: 252/35-36, Muang Thai-Phatra Complex, 27-28th Floor,  
Rachadaphisek Road, Huay Kwang Sub-District, Huay Kwang District,  
Bangkok 10310  
Telephone: 0-2693-2255-65  
Fax: 0-2693-2266  
Main Business: Human resource development

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 1,000,000	Par Value Baht 10	Number of Shares 999,980	% 99.99

### Great Brands Limited (Direct Subsidiary)

Location of Head Office: Room 90-12, Silvercord, Tower 1, 30 Canton Road, Tsim Sha Tsui,  
Kowloon, Hong Kong  
Telephone: 852 2375 6648  
Fax: 852 2375 6188  
Main Business: Brand management

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 1,000,000	Par Value HKD 1	Ordinary Shares 1,000,000	% 100

### Petform (Thailand) Co., Ltd.

Location of Head Office: 75/102, Ocean Tower 2, 35<sup>th</sup> Floor, Sukhumvit 19, Bangkok 10110  
Telephone: 0-2661-6661  
Fax: 0-2661-6664-5  
Main Business: Manufacture and distribution of plastic containers and PET polymers

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 7,500,000	Par Value Baht 10	Number of Shares 3,000,000	% 40

### The Pet Co., Ltd.

Location of Head Office: 23/4, Moo 2, Baan Chang, Muang Pathumthani, Pathumthani 12000  
Telephone: 0-2581-7950-2, 0-2581-6386  
Fax: 0-2581-5618  
Main Business: Manufacture and distribution of plastic and PET bottles

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 700,000	Par Value Baht 10	Ordinary Shares 70,000	% 10

Sermasuk Public Company Limited and its Subsidiaries

## Policy and Business Overview

### **Petpack Co., Ltd.**

Location of Head Office: 170/87, Ocean Tower Building 1, 32<sup>nd</sup> Floor, New Rachadapisek Road, Klongtoey, Bangkok 10110  
 Telephone: 0-2261-2357  
 Main Business: Manufacture and distribution of plastic and PET bottles

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 1,400,000	Par Value Baht 100	Ordinary Shares 140,000	% 10

### **Businesses in which Sermasuk Holdings Co., Ltd., holds shares of 10% or more**

#### **Sermasuk Beverage Co., Ltd. (Indirect Subsidiary)**

Location of Head Office: 252/35-36, Muang Thai-Phatra Complex, 27-28th Floor, Rachadaphisek Road, Huay Kwang Sub-District, Huay Kwang District, Bangkok 10310  
 Telephone: 0-2693-2255-65  
 Fax: 0-2693-2266  
 Main Business: Manufacture and distribution of beverages

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 68,958,615	Par Value Baht 10	Ordinary Shares 68,958,609	% 99.99

#### **Wrangyer Beverage (2008) Co., Ltd. (Indirect Subsidiary)**

Location of Head Office: 252/35-36, Muang Thai-Phatra Complex, 27-28th Floor, Rachadaphisek Road, Huay Kwang Sub-District, Huay Kwang District, Bangkok 10310  
 Telephone: 0-2693-2255-65  
 Fax: 0-2693-2266  
 Main Business: Manufacture and distribution of energy drinks

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 20,000,000	Par Value Baht 10	Ordinary Shares 19,999,980	% 99.99



## Policy and Business Overview

### 1.4 Related parties of the Company and its subsidiaries

The related parties of the Company and its subsidiaries are;

#### 1. *Petform Co., Ltd., (Sermasuk PCL owns a 40% stake)*

Main Business: Manufacture and distribution of plastic containers and PET polymers

Relationship: The Company has reached deals with Petform for the following purchase volume of plastic perform and PET bottles.

- Plastic cap represented for 60% of total annual purchases that had a value of Baht 56 million;
- PET bottles represented for 35% of total annual purchases that had value a of Baht 569 million.

The purchasing approach: The Company has reviewed the price structure in comparison with market prices and purchases were made in volume and maintained at the mutually agreed prices.

#### 2. *Thai Beverage Can Co., Ltd., (With a stake owned by a subsidiary of TCC)*

Main Business: Distribution of aluminum cans

Relationship: With the aluminum cans that are used for packaging, the Company has made purchases for 100% of the total annual purchases that had a value of 228 million Baht.

The purchasing approach: The Company has reviewed the price structure in comparison with market prices and purchases were made in volume and maintained at the mutually agreed prices for 6 - 12 months.

#### 3. *The Southeast Insurance Public Company Limited (With a stake owned by a subsidiary of TCC)*

Main Business: A professional insurance service provider

Relationship: The Company has insured its assets and vehicles with the Southeast Insurance PCL

The purchasing approach: The Company has reviewed the price in comparison with several competitive offers. The Southeast Insurance is considered as an insurance service provider and the bidding will be held once annually.

#### 4. *Thai Drinks Company Limited (a direct subsidiary of Thai Beverage Public Company Limited)*

Main Business: Trading and to be representative company to import concentrate from oversea suppliers.

Relationship: The Company purchased for 100% of the total annual purchases of CSD concentrate in totaling Baht 1,028 million.

The purchasing approach: The Company has reviewed the price structure and compared to historical purchase price. Purchase condition is considered by mutual agreed volume and prices for 1 year.

## Business Operations

### 2. Business Operations

#### Revenue Structure

Unit: Million Baht

Type of Revenues	2015		2014		2013	
	Revenue	%	Revenue	%	Revenue	%
Revenue from carbonated soft drinks	4,208	40.02%	4,671	44.98%	5,814	52.04%
Revenue from non-carbonated drinks	6,307	59.98%	5,714	55.02%	5,358	47.96%
Total	10,515	100.00%	10,385	100.00%	11,172	100.00%

#### 2.1 Business Operations by Product

The Company's products and services are clustered around 4 business pillars as follows:

##### 1. Manufacturer and distributor of drinking water

Drinking water and soda water under the "Crystal" trademark

##### 2. Manufacturer and distributor of non-carbonated beverages

Ready-to-drink green tea in returnable bottles: honey lemon flavor under the "Oishi" trademark

Ready-to-drink black tea in returnable bottles: lemon flavor under the "Lipton" trademark

Sport drinks under the "Gatorade" trademark

Energy drinks under the "Wrangyer" trademark

Sport drinks under the "PowerPlus" trademark

##### 3. Food and beverage distributor

Ready-to-drink green tea in cans and PET bottles under the "Oishi" trademark

Ready-to-drink black tea in cans and PET bottles: lemon flavor under the "Lipton" trademark for Pepsi

Lipton International Company Limited

Soda water under "Chang" trademark

Herbal drink under the "Jub jai" trademark

##### 4. Manufacturer and distributor of carbonated beverages

Carbonated soft drinks under the "est" trademark

Functional Carbonated soft drinks under the "100 Plus" trademark



## Business Operations

### 2.2 Marketing and Competition

#### (A) Competition and distribution policies

##### Target group

The Company strives to penetrate the consumer food and beverage segment with over 200,000 eateries and retail stores nationwide. The Company operates on four business pillars including

- 1) Expanding in the drinking water market under the Crystal brand;
- 2) Expanding its line of non-carbonated drinks with Oishi Green Tea in returnable bottles; Lipton tea in glass bottles, Wrangyer energy drinks and Power Plus sport drinks
- 3) Distributing both food and beverage products; and
- 4) Manufacturing and distributing carbonated soft drink products under the “est” brand and “100 Plus” brand.

##### Distributor of the products

The Company is the distributor of many products that will be supplied to eateries and retail stores for consumers nationwide via its solid network of 1,000 trucks.

#### (B) Marketing and Competition

##### Overview of carbonated soft drink market

The production and distribution of soft drinks is a major industry requiring modern machinery for production and quality control, and large numbers of personnel for transport and delivery of products to customers. The business is important in supporting businesses throughout an extensive value chain including those that produce sugar, glass bottles, plastic bottles, plastic cases and bottle caps. Competition is a year-round factor in the carbonated soft drinks industry, but growth in this product category is not as high as other beverages due to new entrants in the market and changes in consumer behavior in favor of drinking water, fruit juices, mineral water and milk products. These products are now competing directly with carbonated soft drinks.

The keys to success in the soft drinks industry are the ability to offer products manufactured to high-quality standards, providing good service and rapid responsiveness to consumer demands. Opportunity in the beverages industry depends on increases in distribution channels and expansion in the business of established customers, such as large wholesale and retail outlets, supermarkets, convenience stores and quick serve food outlets. Ultimately, the growth rate in the industry is largely determined by the economic fundamentals of the country in which the industry operates.

The prospects for the growth and development of an individual soft drink enterprise are impacted by its ability to execute marketing activities, including advertising, sales promotions, packaging design and the introduction of new flavors/variants that attract consumers. All of these efforts can contribute to the expansion of the business.

The carbonated soft drink competition is very intense particularly in terms of pricing with the selling focus on more volume at lower prices.



## Business Operations

### Overview and market competition

#### “est” Carbonated Drink

Throughout 2015, est has rolled out ongoing marketing campaigns and sales promotions, namely, “est x Benz Nationwide Consumer Promotion” campaign offering consumers opportunity to win over 50 of Mercedes-Benz GLA-class, and the activity of “Aroi Jing” offering its distributors to exchange est’s caps for many prizes, in order to earmark est’s brand recognition among distributors and consumers. Together with expanding customer base extensively, the launching of lychee pear-flavored “est”, in both 325-ml sleek can and 490-ml and later 1 litre PET bottles was kicked off on January 2015.

#### “Crystal” Drinking Water

The success factors of Crystal drinking water are product quality, efficient distribution, excellent customer service and engaging marketing activations. These factors are critical in the drinking water market, where a plethora of producers compete with no price differentiation. There continues to be a profusion of new brands in the market and this has a significant impact on sales of drinking water. Despite strong competition in the drinking water business, sales of Crystal drinking water continued to show very strong growth.

The success of Crystal is attributed to its high quality, including certification from NSF International, an international audit agency that inspects and certifies quality standards of bottled drinking waters. Crystal is the first bottled drinking water in Thailand to have received this certification. Additionally, Crystal received the FDA Quality Award for three consecutive years (2011 - 2013).

In 2015, the Company has run ongoing marketing campaigns and sales promotions such as “Be Gorgeous, Be Crystal” which offers tips on how to look good on social networks, starting with high-quality drinking water that meets international standards. The activity was run alongside the “Think of Owning a New Car, Drink Crystal” marketing campaign, and later “Same Things Could Be Different” that encourages consumers should acquire knowledge about the different types of drinking water they can refresh themselves with by looking for a standard that they can trust. Moreover, the company supported a number of music events to maintain its reputation as the country’s favorite drink. The sponsored concerts included “Crystal Presents The Palace and Friends Restage”, “Crystal presents Yesterday Once More Retro Music Festival” and “Crystal Smallroom Party Same Things Could Be Different” held at these 3 universities ranging from Pibulsongkram Rajabhat University, Phitsanulok province, Mae Fah Luang University, Chiang Rai province and Chiang Mai University, Chiang Mai province.

#### “Oishi” Green Tea

The Company has maintained and deepened its ongoing relationship with Oishi Trading Co., Ltd., by winning the right to bottle as well as distribute Oishi Green Tea in returnable bottles in addition to its previous role as distributor for Oishi green tea products in the traditional trade channel. In the face of increasing competition, Oishi has enjoyed ongoing sales growth every year.

In 2015, the Company has run ongoing sales promotions such as “Oishi Code” campaign – opportunity to win cars and motorcycles” and “Oishi, Love Mom” campaign - chance to win smartphones, which both campaigns received a positive consumer response.

#### “Ranger” Energy Drink

Following its acquisition of Wrangyer Beverage (2008) Co., Ltd. in 2012, the Company launched a new 150ml size of Ranger energy drink in the first quarter of 2013. As a new entry in a highly competitive market segment which features a number of strong players, Ranger has received a positive consumer response.

In 2015, the Company officially makes its first export sales of Ranger in a 250-ml. can to Fraser and Neave Limited in Malaysia.



## Business Operations

Furthermore, it launched the “Ranger rake Sud Rang” promotional campaign which received a positive consumer response.

### 2.3 Products and Services Sourcing

Sources of key materials are as follows:

- Concentrates for est Cola, Orange, Cream Soda, Strawberry and Lemon Lime are sourced from Thai Drinks Co, Ltd, related company who is representative to import the finished concentrates from overseas supplier
- Concentrates for 100 Plus are sourced from Thai Drinks Co, Ltd, related company who is representative to import the finished concentrates from overseas supplier.
- Concentrates for Wrangyer energy drink are sourced from local distributors who have imported the finished concentrates
- Concentrates for Lipton are sourced from Pepsi-Cola (Thai) Trading Co., Ltd., an importer
- Concentrates for Oishi Green Tea in returnable bottles are sourced directly from Oishi Group Pcl., a local producer
- Concentrates for Gatorade are sourced from Pepsi-Cola (Thai) Trading Co., Ltd., an importer
- Distributed goods such as Oishi Green Tea are sourced directly from the manufacturers and product owners
- Other materials for production such as sugar, CO2, various chemicals, glass bottles, crown seals, screw caps, plastic cases, PET bottles, cans, and cardboard boxes are sourced locally

With the exception of concentrates that are supplied by the brand owners, the Company sources other raw materials and packing materials from 3-4 suppliers in order to ensure continual supply of raw materials and packing materials at reasonable prices.

**The Company operates five manufacturing facilities which are:**

- 1) **The Pathumthani Plant:** Located at No. 63, Moo 3, Bangkhayaeng Subdistrict, Muang District, Pathum Thani;
- 2) **The Nakhon Ratchasima Plant:** Located at No. 211, Moo 4, Pruyai Subdistrict, Muang District, Nakhon Ratchasima;
- 3) **The Nakhon Sawan Plant:** Located at No. 72, Soi Wat Chomkhiri Nakprot, Nakhon Sawan Aok Subdistrict, Muang District, Nakhon Sawan;
- 4) **The Surat Thani Plant:** Located at No. 111, Moo 5, Ta Rong Chang Subdistrict, Punpin District, Surat Thani;
- 5) **The Chonburi Plant:** Located at No. 700/369, Moo 6, Nong Mai Daeng Subdistrict, Muang District, Chon Buri

In addition to the five plants, the Company has two subsidiaries with manufacturing facilities, which are Sermasuk Beverage Co., Ltd., located in the Amata City Industrial Estate at No. 700/368, Moo 6, Nongmaidaeng Sub-district, Muang District, Chonburi and Wrangyer Beverage (2008) Co., Ltd., located at No. 63, Moo 3, Phrapratone-Baanpaew Rd., Thanonkhad Subdistrict, Muang District, Nakhon Pathom.

## Risk Factors

### 3. Risk Factors

In running its business, the Company has to be mindful of several internal and external risk factors, which directly or indirectly impact the Company's performance and financial status as well as its efforts to achieve its goals. The risk factors are as follows:

#### 3.1 Business Operation Risks:

There are several risk factors to ongoing business growth and profitability.

##### 3.1.1 Prices and sufficiency of ingredients and packaging

**Sugar:** Sugar is one of the main ingredients of the Company's products. In previous year, the sugar selling price has not been adjusted to be higher than the rate specified by the government. The sugar volume produced continued to be enough to serve domestic consumption requirements but there might be risk in climatic changes that would affect the sufficiency in sugar available for production. The Company has committed with its suppliers for the volume of sugar required for production to ensure access to enough sugar to reach the Company's annual sales target.

**PET Bottle:** Given the growing use of non-returnable products, including beverages in PET bottles, the price of PET has been another major cost of the Company. Last year, the price for bottles was lower due to intense pricing competition. Moreover, the Company has co-developed the bottles to be lighter which reduced resin use and this has helped lower the price of bottles.

In addition to the aforementioned sugar and PET, other material prices, such as metal crown caps and cans vary in accordance with the prices of steel and aluminum sheets. However, the purchasing strategy has been changed and now involves establishing a pricing structure based on high volume which subsequently lowers prices.

##### 3.1.2 Wages:

The wage expense is another key factor that the Company has to constantly keep track especially during the uncertain and unfavorable marketing and sales situations. The shortage of labor in some areas, especially industrial estates or nearby communities was another problem. Personnel development and operating adjustments have been used to increase the Company's operating efficiency. Automation was leveraged to replace human labor and alien workers were employed in some necessary areas as well as other efficient cost-saving measures.

##### 3.1.3 Excise tax rate:

The excise tax rate was a major external cost and is regulated by the Government. An adjustment of the tax rate and basis of calculation was a significant risk factor. A team was assigned to deal with the relevant government agencies and provide them with necessary information.

##### 3.1.4 Petrol price:

Fuel was directly purchased from more than one large producer and measures to control diesel usage were executed together with GPS installation to control the speed and fuel use of all trucks.

Alternative energy was leveraged under close supervision by an assigned team. Ongoing studies were conducted to determine fuel use reduction measures.

##### 3.1.5 Consumer behavior:

Given the enhanced focus on health among consumers and subsequent change in consumer behavior towards non-carbonated beverages, juice and functional drinks, the Company has responded by producing and promoting a variety of beverages to completely meet all customer demands, including



## Risk Factors

Crystal drinking water, Oishi, Lipton and other non-carbonated drinks. The increasing sales of these products have increased the contribution of non-carbonated products to the Company's results.

### 3.1.6 Change of government policies

Potential changes in the government's policies regarding tax collection, price controls, business laws and industrial regulations also lead to uncertainty and risks to the Company's operating and investment decisions.

To reduce the impact, the Company has emphasized cost reduction and expense control, revisiting and improving working procedures to generate greater efficiency and productivity in all working units.

## 3.2 Production Risks:

Due to the heavy investment in plant and machinery in the beverage industry, the Company depends on high-volume production and high efficiency to break-even. In addition, the sharp increase in demand for Crystal drinking water has led to the need to invest in additional drinking water lines to address 2015 market needs. The flood prevention installations for the Company's three major plants that were affected by the 2011 flooding were fully completed, in order to protect their production lines and ensure continuous production in the event this type of incident should reoccur.

Due to the constant growth of drinking water segment, the Company has collaboration with Oishi PLC. and the subsidiaries of ThaiBev for the manufacturing of Crystal drinking water at their factories for the benefits of efficient cost-saving measures in production and distribution.

### 3.2.1 New Product Launch Risk

Regarding new product launches, the Company has recognized the risk and prepared four dimensions of risk prevention including people, equipment, raw materials and production control measures. These attributes were all in place before any new product launch was executed.

## 3.3 Management and Administration Risks

The distribution of soft drinks and carbonated beverages still relies heavily on direct sales to customers, requiring the ability to provide fast and reliable service and high returns. To operate the business, the Company closely followed the movement of its competitors and adapted itself to changes in the market by maintaining an effective distribution network and qualified personnel. To retain and motivate good employees is another challenge for the Company.

In addition, the Company needs to maintain a well-defined operational plan and accurate and updated information to be used as management tools for decision-making. The Company has continued to invest in IT systems and staff training programs to maximize working efficiency to meet the Company's requirements and respond to the changes in the market competition.

## 3.4 Financial Risks

### 3.4.1 Credit Control and Collection:

The Company has to exercise tight control over collections and credit while constantly following-up on debts via the credit department and the management. The credit line for customers is regularly reviewed every six months. In a situation of economic downturn or financial crisis, which will adversely affect the economy, the Company will be more cautious before extending credit and more stringent in following-up on debt collection.

## Risk Factors

### 3.4.2 Stability of the Baht and foreign exchange risk:

Currency fluctuations have a certain impact on the Company's operating costs. The Company has foreign currency liabilities and commitments that are limited to the import of new machines, equipment and spare parts. The majority of the Company's spending is transacted in the local currency.

### 3.4.3 Interest Rate Risk:

During the year 2015, the Company has short term loans from financial institutions for business expansion and enhanced liquidity, subsequently such short term loans have been fully settled since April 2015, therefore, there was no outstanding balance as at December 31, 2015. However, interest rate movements may be a risk factor which the Company will need to consider and evaluate in order to minimize the cost of funds before making any investment decision.

## 3.5 Risks that affect shareholders' rights or investment

### 3.5.1 Risk for the company that is more than 50% owned by a major shareholder

As of 31 December 2015, So Water Co., Ltd. held 171,923,138 Company's shares, representing 64.66% of total outstanding shares. Consequently, the majority shareholder has the voting rights and general power in management. Therefore, So Water Co., Ltd. has almost total control of the resolutions at each meeting.

### 3.5.2 Risk for their shareholders' investment

- None -

## 3.6 Other risks:

In addition to the aforementioned factors, there may be additional potential factors such as local political crises, environmental regulations or other matters that may have a negative impact on the Company's business.



## Basic Information

### 4. Basic Information

Location of Head Office:	252/35-36, Muang Thai-Phatra Complex, 27-28th Floor, Rachadaphisek Road, Huay Kwang Sub-District, Huay Kwang District, Bangkok 10310
Registration Number:	0107537001650 (previously Bor. Mor. Jor. 412)
Telephone:	0-2693-2255 - 65
Fax:	0-2693-2266
Paid-Up Capital:	Ordinary shares
Issued and Paid-Up:	265,900,484 shares of Baht 1.00 each
Website:	www.sermsukplc.com

### Reference Parties

A) Securities Registrar:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building Rachadaphisek Road, Klong Toey, Bangkok 10110 Telephone: 0-2229-2800 Fax: 0-2359-1259
B) Proxy for Debenture Holder:	-None-
C) Auditors:	Mr. Nirand Lilamethwat, Certified Public Accountant No. 2316 or Mrs. Wilai Buranakittisopon, Certified Public Accountant No. 3920 or Mr. Eakasit Choothamsathit, Certified Public Accountant No. 4195 KPMG Phoomchai Audit Limited Empire Tower, 50 <sup>th</sup> Floor, 1 South Sathorn Road, Bangkok 10120 Telephone: 0-2677-2000 Fax: 0-2677-2222
D) Legal Consultant:	Weerawong, Chinnavat & Peangpanor Ltd. 22 <sup>nd</sup> Floor, 540 Mercury Tower, Ploenchit Road, Lumpini, Bangkok 10330 Telephone: 0-2264-8000 Fax: 0-2657-2222
E) Consultant or Manager under Management Contract:	-None-
F) Investors Relations:	Please contact Finance Department 252/35-36, Muang Thai-Phatra Complex, 27 <sup>th</sup> -28 <sup>th</sup> Floor, Rachadaphisek Road, Huay Kwang Sub-District, Huay Kwang District, Bangkok 10310 Telephone: 0-2693-2255 ext. 704 E-mail: IR@sermsukplc.com

## Shareholders

### 5. Shareholders

#### 5.1 Authorized and Paid-up share capital

Share capital – ordinary shares

As of December 31, 2015, the Company has an authorized capital of Baht 265,900,484 comprising of 265,900,484 ordinary shares valued at Baht 1 per share and a paid-up capital of Baht 265,900,484 with 265,900,484 ordinary shares valued at Baht 1 per share.

#### 5.2 Shareholders

##### Major Shareholders:

As of the close of the Share Register Book on March 10, 2016 for invitation to the Annual General Meeting of shareholders No. 1/2016:

Name	Number of Shares	% of Total Shares
1. So Water Co., Ltd.	171,923,138	64.66 %
2. SS National Logistics Co., Ltd.	56,199,807	21.13 %
3. DBS BANK LTD	12,500,000	4.70 %
4. UBS AG SINGAPORE BRANCH	10,800,000	4.06 %
5. UOB KAY HIAN (HONG KONG) LIMITED - Client Account	7,200,000	2.71 %
6. Mrs. Duangkaew Trakulpipat	576,500	0.22 %
7. Captain Narong Phatralaoha	508,600	0.19 %
8. Miss Nanthana Yaemmanas	300,000	0.11 %
9. SS Integration Co., Ltd.	214,900	0.08 %
10. Thanatip Co., Ltd.	187,500	0.07%

#### 5.3 Issuance of other instruments

Neither convertible securities nor debt instruments were issued for the third parties.



## Dividend Pay-out Policy

### 6. Dividend Pay-out Policy

Dividend policy for Sermasuk Public Co., Ltd., and its subsidiaries:

- There will be no payment of dividends from funds other than profit.
- There will be no dividend payment if the Company carries accumulated losses.
- Dividends will be paid for each share equally.
- The Board of Directors may declare an interim dividend payment to the shareholders if the Company has sufficient profit for the payment and has to report such a payment to the shareholders in the subsequent shareholders' meeting.
- Dividend payment must be made within 1 month after approval from the shareholders' meeting or, in the case of an interim dividend, the Board of Directors. Notification of such dividend payment must be sent to the shareholders and published in a Thai newspaper for 3 consecutive days.
- In case the Company has not fully issued all its registered shares or the Company has registered for a share capital increase, with approval from the shareholders' meeting, the Company may pay part or all of the dividends by issuing new ordinary shares to the shareholders.
- The Company has a policy to pay dividends with a payout ratio of not less than 40% of consolidated net profit for each fiscal year after providing a legal reserve and carrying forward losses (if any) as required by law. However, the actual dividend payment will depend on the Company's cash flow position, investment plan, obligations and other conditions of the agreements as well as other necessities and appropriateness in the future.

Sermasuk Public Company Limited and Its Subsidiaries

## Management Structure

### 7. Management Structure

#### 7.1 The Board of Directors of the Company

The Board of Directors as at December 31, 2015 consisted of the following Directors:

Name	Position
Mr. Photipong Lamsam	Chairman and Independent Director
Mr. Suchin Wanglee	Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee
Mr. Chotiphat Bijananda <sup>1</sup>	Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee
Mr. Thapana Sirivadhanabhakdi	Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee
Mr. Somchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee
Mr. Dhitivute Bulsook <sup>2</sup>	Director, Vice Chairman of Executive Committee No.3, Member of Risk Management Committee and President
Prof. Dr. Khunying Suchada Kiranandana	Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee
Mr. Pramoad Phornprapha	Director
Prof. Rawat Chamchalerm	Independent Director
Mr. Sakchai Thanaboonthai	Director
Mr. Rangsan Thammaneeuwong	Director
Mr. Sithichai Chaikriangkrai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee
Mr. Marut Buranasetkul	Director and Executive Director
Mrs. Siripen Sitasuwan	Independent Director, Member of Audit Committee and Member of Risk Management Committee
Mr. Vivek Chhabra <sup>3</sup>	Director, Member of Risk Management Committee, Executive Director and President

Remark: <sup>1</sup>Resigned as Executive Director on October 1, 2015

<sup>2</sup>Resigned as President and appointed as Vice Chairman of Executive Committee No.3 on October 1, 2015

<sup>3</sup>Appointed as Director on September 8, 2015 and appointed as Member of Risk Management Committee, Executive Director and President on October 1, 2015



## Management Structure

### Names and Number of Authorized Directors

- (1) Anyone out of the following five directors – Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Dhitivute Bulsook and Mr. Sakchai Thanaboonchai and Mr. Vivek Chhabra, together with anyone out of the following four directors – Mr. Chotiphat Bijananda, Mr. Rangsak Thammawong, Mr. Sithichai Chaikriangkrai and Mr. Marut Buranasetkul may sign and affix the Company seal to legally bind the Company.
- (2) Two out of the following nine directors – Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Dhitivute Bulsook, Mr. Sakchai Thanaboonchai, Mr. Chotiphat Bijananda, Mr. Rangsak Thammawong, Mr. Sithichai Chaikriangkrai, Mr. Vivek Chhabra and Mr. Marut Buranasetkul, may sign and affix the Company seal to legally bind the Company in an application form for permits or for the tender of documents with the Revenue Department; the Customs Department; the Ministry of Commerce's Department of Business Development; Office of Foreign Workers under the Immigration Bureau; the Department of Skill Development under the Ministry of Industry; the Ministry of Public Health and other related state agencies that are involved in tax payment reporting, import and export documentation, amendments to corporate registration, visa renewal, work permits and corporate business permits.

### Executive Committee

The Company's executive committee as appointed on December 31, 2015 is composed of the following members:

(1) Mr. Somchai Bulsook	Chairman of Executive Committee
(2) Mr. Thapana Sirivadhanabhakdi	Vice Chairman of Executive Committee No 1
(3) Mr. Sithichai Chaikriangkrai	Vice Chairman of Executive Committee No 2
(4) Mr. Dhitivute Bulsook <sup>1</sup>	Vice Chairman of Executive Committee No.3
(5) Mr. Chotiphat Bijananda <sup>2</sup>	Executive Director
(6) Mr. Marut Buranasetkul	Executive Director
(7) Mr. Vivek Chhabra <sup>3</sup>	Executive Director

<sup>1</sup> Appointed as Vice Chairman of Executive Committee No.3 on October 1, 2015

<sup>2</sup> Resigned as Executive Director on October 1, 2015

<sup>3</sup> Appointed as Executive Director on October 1, 2015

## Management Structure

### Board of Directors Meetings 2015

#### The Board of Directors

Name	Positions	Number of Board of Directors Meetings	Number of meetings attended
Mr. Photipong Lamsam	Chairman and Independent Director	6	4
Mr. Suchin Wanglee	Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee	6	6
Mr. Chotiphat Bijananda <sup>1</sup>	Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee	6	5
Mr. Thapana Sirivadhanabhakdi	Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee	6	6
Mr. Somchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee	6	6
Mr. Dhitivute Bulsook <sup>2</sup>	Director, Vice Chairman of Executive Committee No 3, Member of Risk Management Committee and President	6	6
Prof. Dr. Khunying Suchada Kiranandana	Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee	6	5
Mr. Pramoad Phornprapha	Director	6	5
Prof. Rawat Chamchalern	Independent Director	6	6
Mr. Sakchai Thanaboonthai	Director	6	5
Mr. Rangsan Thammaneeuwong	Director	6	5
Mr. Sithichai Chaikriangkrai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee	6	6
Mr. Marut Buranasetkul	Director and Executive Director	6	6
Mrs. Siripen Sitasuwan	Independent Director, Member of Audit Committee and Member of Risk Management Committee	6	4
Mr. Vivek Chhabra <sup>3</sup>	Director, Member of Risk Management Committee, Executive Director and President	1	1

The meeting exclusively held among the company's directors (excluding directors who are management team) in line with the principle of good corporate governance is taken place on Tuesday, September 8, 2015.

Remark: <sup>1</sup>Resigned as Executive Director on October 1, 2015

<sup>2</sup>Resigned as Managing Director and appointed as Vice Chairman of Executive Committee No.3 on October 1, 2015

<sup>3</sup>Appointed as Director on September 8, 2015 and appointed as Member of Risk Management Committee, Executive Director and President on October 1, 2015



Sermsuk Public Company Limited and its Subsidiaries

## Management Structure

### 7.2 The Company Executives

The disclosure of the names and positions of the Company's Executive Committee and its management structure. The 12 executives of the Company as at December 31, 2015 are as follows:

Names	Positions
1.Mr. Somchai Bulsook	Chief Executive Officer
2. Mr. Dhitivute Bulsook <sup>1</sup>	President
3. Mr. Vivek Chhabra <sup>2</sup>	President
4. Ms. Tientip Narach	Finance Director
5. Mr. Arthakrit Visudtibhan	Human Resources Director
6. Mr. Parinya Permpanich	Sales Director
7. Mr. Phromson Ayanaputra <sup>3</sup>	Business Development Director
8. Mr. Peerapong Krinchai	Operations Director
9. Mr. Pibul Voravath	General Group Manager and General Plant Manager, Pathum Thani
10. Mr. Kwanchai Mahapornprachak	General Plant Manager, Nakhon Ratchasima
11. Mr. Pongwit Sumethmethachai <sup>4</sup>	General Plant Manager, Nakhon Sawan
12. Mr. Viraj Ithikumjorn	General Plant Manager, Surat Thani

Remark: <sup>1</sup>Resigned as President on October 1, 2015

<sup>2</sup>Appointed as President on October 1, 2015

<sup>3</sup>Appointed as Business Development Director on May 18, 2015

<sup>4</sup>Appointed as General Plant Manager, Nakhon Sawan on April 16, 2015

## Management Structure

### Management Structure of Sermasuk Public Company Limited



### 7.3 The Company Secretary

The Company's committee had appointed Ms. Arunrat Tungteerapatharakij as the Company's secretary effective from 13 August 2013.

### 7.4 Fees and Remuneration

#### Directors and Management's Fees and Remuneration

##### 7.4.1 Fees and Remuneration in the form of cash

##### a) Directors Fees

The directors' fees include the annual fee, meeting allowances and director's bonus upon the approval by the Company's shareholders, as detailed under Item 10 of the 15 Principles of Good Governance.

Remuneration	2015		2014	
	No. of Executives	Total Amount (Baht)	No. of Executives	Total Amount (Baht)
Annual fee		7,438,560		9,961,935
Director's bonus		-		-
<b>Total</b>	<b>15</b>	<b>7,438,560</b>	<b>15*</b>	<b>9,961,935</b>

\* Inclusive of one director who resigned from directorship during the year.



## Management Structure

Detail of Directors' remuneration paid in 2015:

Names	Positions	Remuneration (Baht)							
		Director Fee	Meeting Allowance	2014 Director Bonus	Audit Committee	Compensation Committee	Risk Management Committee	Nominating and Corporate Governance Committee	Executive Committee
Mr. Pichapong Lamsan	Chairman and Independent Director	240,000	160,000	-	-	-	-	-	-
Mr. Sanchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee	240,000	240,000	-	-	-	100,000	70,000	380,000
Mr. Suchat Wongler	Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee	180,000	180,000	-	205,000	105,000	-	-	-
Prof. Dr. Khanying Suchada Kinsandana	Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee	120,000	100,000	-	410,000	-	171,964	-	-
Mr. Dhanvadee Bulsook <sup>1</sup>	Director, Vice Chairman of Executive Committee No.3, Member of Risk Management Committee and President	120,000	120,000	-	-	-	100,000	-	220,000
Mr. Pramod Phongsapaha	Director	120,000	100,000	-	-	-	-	-	-
Mr. Thapana Sarnvannasakul	Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee	180,000	180,000	-	-	70,000	100,000	130,000	260,000
Mr. Chongsuan Hjananda <sup>2</sup>	Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee	180,000	150,000	-	-	70,000	-	70,000	75,000
Mr. Sathitjai Chaitunglerai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee	120,000	120,000	-	-	-	100,000	-	300,000
Prof. Ravat Chanchaleern	Independent Director	120,000	120,000	-	-	-	-	-	-
Mr. Sakchai Thairaboonchai	Director	120,000	100,000	-	-	-	-	-	-
Mr. Rangsan Thammachewong	Director	120,000	100,000	-	-	-	-	-	-
Mr. Manat Burananchul	Director and Executive Director	120,000	120,000	-	-	-	-	-	175,000
Ms. Sanyat Srasont	Independent Director, Member of Audit Committee and Member of Risk Management Committee	120,000	80,000	-	155,000	-	63,929	-	-
Mr. Vivak Chhabra <sup>3</sup>	Director, Member of Risk Management Committee, Executive Director and President	37,667	20,000	-	-	-	-	-	-
									7,258,540

<sup>1</sup> Resigned as President and appointed as Vice Chairman of Executive Committee No.3, on October 1, 2015.<sup>2</sup> Resigned as Executive Director on October 1, 2015.<sup>3</sup> Appointed as Director on September 8, 2015 and appointed as Member of Risk Management Committee, Executive Director and President on October 1, 2015.

## Management Structure

### b) Executive remuneration and compensation

Chief Executive Officer and 12 other executives were remunerated as follows:

Remuneration	2015		2014	
	No. of Executives	Total Amount (Baht)	No. of Executives	Total Amount (Baht)
Salary		72,853,985		67,157,795
Provident Fund		3,963,945		3,883,854
Remuneration/Bonus		22,511,057		4,355,280
<b>Total</b>	<b>10</b>	<b>99,328,987</b>	<b>10</b>	<b>75,396,929</b>

### 7.4.2 Other Compensation

-None-

### 7.5 Personnel

As of December 31, 2015, Sermasuk Plc., had a total of 6,017 registered employees. The total employee cost paid by the Company for the year 2015 was Baht 1,988 million. Numbers of personnel in each function were as follows:

○ Production	1,014
○ General Administration	733
○ Fleet	179
○ Sales and Warehouses	4,091

There is significant employees dispute case for the year 2015 which is 45 employees who were laid off by the Company have filed lawsuits against the Company for unfair termination. The total amount of claim is approximately of Baht 46.99 million. Before filing the lawsuits, the employees requested the Pathumthani Provincial Labour Protection and Welfare Office to seek for additional compensations from the Company. The Pathumthani Provincial Labour Protection and Welfare Office informed that the Company has already complied with the Labour Protection Law. Currently, the case is during court procedure.



## Corporate Governance

### 8. Corporate Governance

#### 8.1 Policy on Corporate Governance

The Board of Directors Meeting has approved the Company's Corporate Governance Policy as follows:

The Board of Directors believes in the principles of good corporate governance and recognizes its importance in strengthening the trust of its shareholders, its stakeholders and the public at large, and increasing shareholder value. The Board of Directors is thus committed to compliance with corporate governance guidelines issued by the regulatory bodies that govern the operations of public companies, and to the implementation of such other standards that are appropriate to the proper conduct of the business of the Company.

#### 8.2 The Sub-committees

The Company's Board of Directors consists of 15 members elected by the resolution of the Shareholders' meeting as mandated by the Company's Articles of Association. With extensive knowledge and experience in the business area, the Board of Directors defines the policies, vision, strategies, objectives and business trends for the Company and enables the Company's management to run the Company's business in an efficient manner in accordance with the Company's business objectives. The Board of Directors appoints the Chairman of the Board and the Chairman of Executive Committee & Chief Executive Officer and the President. The Chairman of Executive Committee & Chief Executive Officer is authorized to manage the Company's business under usual business norms and the direction from the Board of Directors.

A minimum of the Board of Directors meetings are required every quarter. However, in order to resolve any urgent issues, a special meeting may be called as necessary. For the year 2015, there were a total of 6 meetings which each was beforehand dated and informed to each member of the committee throughout the year.

The Board of Directors appoints an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, an Executive Committee and a Risk Management Committee. The composition and responsibility of these committees are set out under Item 12 of the 15 Principles of Good Governance.

The Board of Directors exercises its managerial role through the review of management reports made at the Board of Directors meetings as to the Company's operations and performance, compared to the operating plan and performance of the previous year. Moreover, the Board's approval or ratification is required for the implementation of important policies and projects, for example, projects involving substantial investment, transactions with related parties, etc.

Additionally, The Board of Directors are required to do self-evaluation at least once a year in order to develop and improve their operations as The Board of Directors. As of the meeting of The Board of Directors 1/2016 that is held on February 24, 2016, it approves self assessment forms for The Board of Directors which demonstrate 3 type of appraisal ranging from 1) Self Assessment for the Board of Directors as a whole, 2) Self Assessment of Committee as a whole and 3) Self Assessment of the Board of Directors and Committee members on an individual basis. These 3 self assessment forms are sent by the Company's secretary to all members of the Board of Directors to evaluate themselves. The demonstrating 3 types of appraisal that the company's secretary earlier sent to every committee to self-evaluate towards their annual performance will be collected and concluded for the results that indicate the overall operations of The Board of Directors, each of group committee and each member of group committees, that will be later announced in the meeting of The Board of Directors.

The Board of Directors is committed to adhering to the Code of Best Practices for the Directors. Review and scrutiny of the Company's management has been carried out regularly and honestly to ensure compliance with laws, the Company's objectives and regulations, and the resolutions of the shareholders' meeting, with due



## Corporate Governance

care for the Company's benefits and responsibility to the shareholders. As required by the Securities Exchange Commission and Stock Exchange of Thailand that all listed companies disclose their compliance with the 15 Principles of Good Governance, the Company summarizes its compliance status as follows:

### 1. Policy on Corporate Governance

The Board of Directors Meeting has approved the Company's Corporate Governance Policy as follows:

The Board of Directors believes in the principles of good corporate governance and recognizes its importance in strengthening the trust of its shareholders, its stakeholders and the public at large, and increasing shareholder value. The Board of Directors is thus committed to compliance with corporate governance guidelines issued by the regulatory bodies that govern the operations of public companies, and to the implementation of such other standards that are appropriate to the proper conduct of the business of the Company.

### 2. Shareholders – Rights and Equitable Treatment

The Company encourages shareholders to exercise their legal rights, such as rights to receive their share of profits in the form of dividends, rights to freely transfer the Company's stock, rights to access the Company's news and information, rights to attend and vote in the shareholders' meetings.

To ensure shareholders' access to updated news and information, the Company announces its operating results and important information to the shareholders the Securities Exchange of Thailand and on the Company's website.

The Company has been committed to supporting shareholders and institutional investors and facilitating their participation in the shareholders meeting. As such the venue of the meeting will be chosen by the Company with a focus on its location being easily accessible to for the members.

For each shareholders' meeting, the Company will send shareholders an invitation letter at least fourteen days before the meeting, setting out the meeting agenda and including the supporting documents (via the Company Registrar), so as to provide Shareholders enough time to review the detailed information. The invitation letter and other Annual General Shareholders' Meeting materials will also be posted on the Company's website. The Company also publishes the Shareholder invitation letter in a daily newspaper, both Thai and English, 3 days before the meeting.

For the year 2016, the Annual General Meeting of Shareholders will be held on April 26, 2016.

### 3. Stakeholders' Rights

The Company recognizes the Stakeholders' rights and the protection of their interests in the Company as per the following policies:

**Shareholders:** The Company acknowledges the responsibility to increase the shareholders' benefit and provide sufficient information on the Company's operations and performance to all shareholders. With this objective, the business operations of the company have been conducted carefully and transparently in order to increase sales, profits and financial strength. The Company has also continuously improved its business processes to increase operating efficiency and cost control, which has resulted in better performance.

The Company commits to promote and facilitate shareholders including institutional investors to take part in the general meeting of shareholders. The Company will select a venue where it is easily accessible from mass transport system. Also, the Company will ask shareholders to submit their documents registered days prior to the date of the meeting so that it won't take time for relevant document to get certified on the date of the meeting. At the venue of meeting, the Company will arrange a convenient registration procedure for general shareholders and institutional investors by means of optimizing the barcode decoder to registering and voting with fastness and accuracy. The Company will also provide the stamp duty for some shareholders who are submitting a proxy.



## Corporate Governance

**Employees:** Employees' ethics and disciplines in the operation of the business are strongly emphasized by the Company, as they result in a good reputation and image for both the Company and its employees. The Company provides a good working environment, equal opportunity and fair treatment to all employees, with no discrimination on the basis of sex, race or religion. Also, the Company provides a safe and clean workplace to promote staffs' well-being at work.

**Customers:** The Company realizes the importance of customers and consumers' rights to receive good quality products at a fair price, including product trial opportunities and the benefits from sales promotion campaigns. The Company has established an active system to receive customer complaints regarding products and services, providing quick responses and corrective actions.

**Suppliers, Business Partners, and Competitors:**

The Company has a purchasing policy for suppliers to allow open bids, in order to ensure a fair deal based on good quality products and services at a reasonable price. The Company is committed to free trade and fair competition according to the law.

**Community:** The Company is highly cognizant of its social responsibility with activities contributing to the wellness of society, such as the Green Community Project for environmental protection and sustainability; occupational promotion and income generation for communities by providing support via the Company's channels of product distribution, as well as relief efforts for people in need and victims of natural disasters.

**Environmental Protection:**

The Company recognizes the importance of environmental protection and actively participates in environmental protection and energy saving programs to prevent air and water pollution and manage unused materials by using 'Clean Technology' and the 3Rs (Reduce, Reuse and Recycle) concept in all of its manufacturing and distribution procedures. The Company has operated under the 5 Sermasuk Green Dimensions which are water, packaging, energy, environment and human resources. The Company has broadened its environmental activation to the public by being a model of environmental conservation and protection for external parties and other enterprises, aiming to form a major force that drives environmental and social sustainability in Thailand and allows Sermasuk to grow in a good and sustainable environment.

#### 4. Shareholders' Meeting

The Company allocates enough time at Shareholders' meetings for Shareholders to express their opinions and question the Chairman, Board Members, and Board Committees about the Company's operations.

#### 5. Leadership and Vision of the Board of Directors

The members of the Board of Directors are qualified and experienced individuals who have vision, exercise independence in making important decisions, and set up policies and directions for the benefit of the Company and its shareholders.

#### 6. Conflicts of Interest

The Company believes in the need for the independence of its directors and management, to prevent any conflict of interest, and to strictly comply with the direction and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand – especially, conflict of interest regarding connected persons from connected transactions or the conflict of interest of an employee from his area of responsibility. The Company Code of Conduct for Directors provides that at a Board of Directors meeting, a director who has an interest in any item on the agenda is not permitted to attend the meeting during the discussion of that matter and is not entitled to vote.



## Corporate Governance

### 7. Business Ethics

The Company commits to business ethics throughout its operations by cooperating with governmental agencies and ensuring compliance with laws and regulations. The Company provides the Code of Conduct for Directors and the Employee's Code of Conduct contain specific provisions in this respect with annual reviews and written acknowledgement by the Company's management and section head of functions.

The Company has set itself an obligation to clearly show transparency in the organization and respect for the law by implementing anti-corruption measures including support activities to encourage Directors and all employees to comply with legislation and relevant terms and conditions. The Company is obliged to not only prohibit the use of any fraudulent measures to make a profit, but also to reject any success resulting from any illegal or corrupt actions. Consequently, the company has introduced the following anti-corruption measures:

1. Risk Management: The effective process of identifying, quantifying and managing the risks that the company faces. In addition, the company is committed to acting professionally and consistently in accordance with anti-corruption measures.
2. Enhancing reliability by acting professionally to ensure bribery and corruption does not take place, and making a strong commitment to anti-corruption prevention policies.
3. Promoting standards, awareness, values and attitudes to employees to act fairly and with integrity.
4. Enhancing and maintaining the effectiveness of anti-corruption measures. Supporting effective checks and balances as well as providing communication channels for disclosing corruption, measures for protecting informants and fair investigation of suspected corruption.
5. Facilitating employees, business partners and stakeholders in exposing any illegal or unjust practices via the company's channel of disclosure.
6. Commitment to anti-corruption efforts by supporting or forming alliances with other anti-corruption prevention activities, bodies and approaches.

### 8. Balance of Power for Non-Executive Directors

Definition of "Independent Director":

An Independent Director is the director elected by shareholders who:

- Holds shares of not more than 1 percent of paid-up capital of the Company, affiliated company, associated company or related company, which shall be inclusive of the shares held by related persons;
- Does not take part in the management, or being an employee, staff member or advisor who receives a regular salary, or having direct or indirect benefit or interest in the finance and management of the Company, affiliated company, associated company or majority shareholder of the company;
- Is not a related person or close relative of any management member or majority shareholder of the Company;
- Is not appointed as a representative to safeguard interests of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders;
- Is capable of performing duties, giving opinions as a director free and clear of the control of the management or the majority shareholders of the Company including related persons or close relatives of the said persons.

The Company realizes the necessary of appointment the non-executive and independent directors to balancing the power of executive directors. Therefore, The Board of Directors as at December 31, 2015 consisted of 6 executive directors, 4 non-executive directors and 5 independent directors



## Corporate Governance

### 9. Aggregation or Segregation of Duties

The positions of Chairman of the Board of Directors and the Chief Executive Officer are held by different persons, in order to clearly segregate duties in setting corporate policy and daily management. Approval from the Board of Directors and/or shareholders is required on major and material matters. The Company's operating performance is regularly reported at least on a quarterly basis at the Board of Directors Meetings, and the Board is able to review and ask questions about operating performance and the management.

### 10. Directors Fees and Management Remuneration

Directors' remuneration consists of directors' fees and directors' bonuses as approved by the shareholders in the Annual General Meeting No. 1/2015 held on April 23, 2015.

Composition of the compensation policy	2015 (proposed year)	2014
<b>Executives' remuneration</b> 1. Fee and meeting allowance	<b>Unchanged</b> <ul style="list-style-type: none"> <li>The Chairman of the Board and the Chairman of the Executive Committee &amp; Chief Executive Officer each receives an annual fee of Baht 240,000 and a meeting allowance of Baht 40,000/meeting.</li> <li>The Vice Chairman of the Board receives an annual fee of Baht 180,000 and a meeting allowance of Baht 30,000/meeting</li> <li>And other directors each receive an annual fee of Baht 120,000 and a meeting allowance of Baht 20,000/meeting.</li> <li>No fringe benefits.</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Board and the Chairman of the Executive Committee &amp; Chief Executive Officer each receives an annual fee of Baht 240,000 and a meeting allowance of Baht 40,000/meeting.</li> <li>The Vice Chairman of the Board receives an annual fee of Baht 180,000 and a meeting allowance of Baht 30,000/meeting</li> <li>And other directors each receive an annual fee of Baht 120,000 and a meeting allowance of Baht 20,000/meeting.</li> <li>No fringe benefits</li> </ul>
<b>Sub-committees' remuneration</b> <b>The Audit Committee</b>	<b>Unchanged</b> <ul style="list-style-type: none"> <li>The Chairman of the Audit Committee receives a Baht 160,000 annual fee and meeting allowance of Baht 50,000 per meeting.</li> <li>Members of the Audit Committee each receive a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Audit Committee receives a Baht 160,000 annual fee and meeting allowance of Baht 50,000 per meeting.</li> <li>Members of the Audit Committee each receive a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>No fringe benefits</li> </ul>
<b>The Compensation Committee</b>	<b>Unchanged</b> <ul style="list-style-type: none"> <li>The Chairman of the Compensation Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>Members of the Compensation Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Compensation Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>Members of the Compensation Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>

## Corporate Governance

Composition of the compensation policy	2015 (proposed year)	2014
<b>The Nominating and Corporate Governance Committee</b>	<b>Unchanged</b> <ul style="list-style-type: none"> <li>The Chairman of the Nominating and Corporate Governance Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>Members of the Nominating and Corporate Governance Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Nominating and Corporate Governance Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>Members of the Nominating and Corporate Governance Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>
<b>Risk Management Committee</b>	<b>Unchanged</b> <ul style="list-style-type: none"> <li>The Chairman of the Risk Management Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>The Vice Chairman of the Risk Management Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Risk Management Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Risk Management Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>The Vice Chairman of the Risk Management Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Risk Management Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>
<b>Executive Committee</b>	<b>Unchanged</b> <ul style="list-style-type: none"> <li>The Chairman of the Executive Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>The Vice Chairman of the Executive Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Executive Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul> <p>The executives' compensation approved by the committee and/or shareholders is in line with the compensation committee's policy</p>	<ul style="list-style-type: none"> <li>The Chairman of the Executive Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>The Vice Chairman of the Executive Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Executive Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul> <p>The executives' compensation approved by the committee and/or shareholders is in line with the compensation committee's policy</p>



## Corporate Governance

### 11. Board of Directors' and Board Committee Meetings

The Board holds at least three meetings annually. The Directors' meetings are pre-scheduled with notices of the meeting sent out to Directors at least 7 days prior to the meetings. The Chairman of the Board of Directors and Chairman of the Executive Committee jointly proposed the topics of discussion contained in the Agenda and opened a chance for other directors or members of the subcommittees to propose their topics for inclusion in the agenda. There is enough time provided for discussion. Questions raised by the directors are explained and clarified by the responsible executives. The written minutes of the meetings as approved by the Board of Directors are maintained for future verification. For the year 2015, there were 6 Board of Directors meetings. Other sub-committee meetings were held as appropriate. For the year 2015, there were 5 Audit Committee meetings, 2 compensation Committee meetings, 2 Nominating and Corporate Governance Committee meeting, 4 Risk Management Committee meetings and 12 Executive Committee meetings with the attendance of directors and members of committees.

Before a meeting can conduct business a minimum quorum - which is two-thirds of voters - must be present at the meeting for business to be legally transacted.

### 12. Sub-committees – several subcommittees are required to screen assignments for the Board of Directors including the Audit Committee, the Nominating and Corporate Governance Committees and the Compensation Committee

The Board of Directors has set up the following sub-committees to work in particular areas:

#### Audit Committee

The Audit Committee consists of three members as follows:

Prof. Khunying Suchada Kiranandana	Chairman
Mr. Suchin Wanglee	Director
Mrs. Siripen Sitasuwan	Director

The Audit Committee is responsible for the review of the Company's financial statements and internal control, including review of compliance with rules and regulations set by the Securities and Exchange Commission and Stock Exchange of Thailand, or related laws. The Audit Committee also reviews the Company's Internal Audit operations as well as considers and recommends the appointment of the Company's auditors and the disclosure of related transactions to ensure their accuracy and correctness. The Audit Committee also prepares the Audit Committee Report to summarize the completion of the activities assigned by the Board of Directors.

For the accounting year 2015, there were 5 Audit Committee meetings including 4 regular meetings and 1 special meeting. The meetings were held to review and examine the operations of the Company and its subsidiaries. The areas of review were the sufficiency and effectiveness of the internal control system, internal audit plan, audit report, while monitoring amendments made based on comments made and proposing solutions to significant issues as featured in the audit report. The meetings also facilitated proper risk management and reviewed quarterly and annual financial statements, together with the management as well as external and internal auditors. The emphasis was on the correctness of the balance sheet, its compliance with Generally Accepted Accounting Principles, sufficient disclosure of the financial statements, comments on connected transactions, or transactions that would cause a conflict of interest, reviews of operations to ensure compliance with relevant laws.

The reviews of operations include the effective systems of internal control and internal audit and independency of the internal audit department as well as reviews of appointing, transferring and, dismissing the head of internal audit department or other departments involved in the processes of internal audit, recruitment, appointment, compensation, and demotion of the auditors.



## Corporate Governance

The Audit Chairman, Professor Dr. Khunying Suchada Kiranandana, Mr. Suchin Wanglee and Mrs Siripen Sitasuwan have extensive expertise and experience in reviewing the Company's financial statements.

### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of three members as follows:

Mr. Thapana Sirivadhanabhakdi	Chairman
Mr. Somchai Bulsook	Director
Mr. Chotiphat Bijananda	Director

The Nominating and Corporate Governance Committee is responsible for the selection of qualified and experienced individuals to propose to the Board of Directors and shareholders for election as Directors; to make proposals for evaluation of Directors, and to develop and recommend to the Board appropriate actions to ensure good corporate governance. The committee also reviews many issues relating to corporate governance, including the Company's Corporate Governance Policy, the Directors Code of Conduct, and the Charter of the Compensation Committee; the nature of connected transactions in order to avoid a conflict of interest of the executives and persons involved with setting policy; the qualifications of independent directors; the policy for nominating directors and committee members; evaluating Board performance; preparation of the Director's Manual; directors' training with the IOD; and the disclosure of information on the Company's website.

The committee has the specification for the director's qualification in line with the principle of diversity. The selected directors tend to be persons whose qualification fulfill the committee's diversity in terms of skills, expertise and gender.

The committee will be responsible for selecting 2 of female independent directors for the sake of a diverse committee structure.

For the year 2015, there were two meetings for the Nominating and Corporate Governance Committee were held.

### Compensation Committee

The Compensation Committee consists of three members as follows:

Mr. Suchin Wanglee	Chairman
Mr. Thapana Sirivadhanaphakdi	Director
Mr. Chotiphat Bijananda	Director

The Compensation Committee is responsible for setting the policy and compensation structure to ensure fairness to, and motivation of, the employees and management. The Compensation Committee considers the annual salary adjustment, bonus payment, and the allocation of securities to the Company's executives and makes proposals to the Board of Directors and shareholders for approval.

For the year 2015, there were two meetings to review and approve the merit increase and bonus payment for the Chairman of the Executive Committee & CEO for 2015 and to review and approve the annual bonus payment for employees.



## Corporate Governance

### Risk Management Committee

The Corporate Board of Directors has approved the forming of the Risk Management Committee that consists of seven members as follows:

Prof. Dr. Khunying Suchada Kiranandana	Chairman
Mr. Somchai Bulsook	Director
Mr. Thapana Sirivadhanabhakdi	Director
Mr. Sithichai Chaikriangkrai	Director
Mr. Dhitivute Bulsook	Director
Mrs. Siripen Sitasuwan	Director
Mr. Vivek Chhabra <sup>1</sup>	Director

Remark: <sup>1</sup> Appointed as Director of Risk Management Committee on October 1, 2015

The Risk Management Committee also includes five directors by positions including Finance Director, Sales Director, Marketing Director, Human Resources Director and Operations Director.

The Risk Management Committee is responsible for determining the strategy, policy and objectives to manage risk for the entire Company and to provide guidelines for the Management of the Company to undertake more efficient risk management in the same direction and develop the Integrated Risk Management principles for all major risk factors facing the Company including business risk and operational risk.

For the year 2015, there were four meetings for the Risk management committee were held.

### Executive Committee

The Corporate Board of Directors has approved the forming of the Executive Committee that consists of six members as follows:

Mr. Somchai Bulsook	Chairman
Mr. Thapana Sirivadhanabhakdi	Vice Chairman of Executive Committee No.1
Mr. Sithichai Chaikriangkrai	Vice Chairman of Executive Committee No.2
Mr. Dhitivute Bulsook <sup>1</sup>	Vice Chairman of Executive Committee No.3
Mr. Chotiphat Bijananda <sup>2</sup>	Director
Mr. Marut Buranasetkul	Director
Mr. Vivek Chhabra <sup>3</sup>	Director

<sup>1</sup> Appointed as Vice Chairman of Executive Committee No.3 on October 1, 2015

<sup>2</sup> Resigned as Executive Director on October 1, 2015

<sup>3</sup> Appointed as Executive Director on October 1, 2015

The Executive Committee is responsible for

- Implementing the corporate board of directors' policy that is in accordance with the Company's by-laws, terms, rules and regulations, except the items that legitimately require prior approval by the shareholders
- Preparing, proposing and defining the Company's business policy and strategy to the Company's board of directors
- Determining the Company's business plan, management authority, annual business budget and annual expenditure budget for further presentation to the Company's board of directors for approval and



## Corporate Governance

following the Company's business plan and strategy in compliance with the policies and business directions as informed to the Company's board of directors. The board of directors have an authority and financial amount to approve each of the company's expenditures. Chairman of the board of directors shall has an authority and financial amount to approve each expenditures as follows:

- 1) Payment approval for operational management except the expenditures on advertisement and sales promotion
    - Vice chairman of the board of directors can approve the payment of not exceeding to Baht 20 million (Twenty Million Baht Only)
    - Chairman of the board of directors/ executive directors can approve the payment of not exceeding to Baht 40 million (Forty Million Baht Only). In cases of emergency during the absence of Chairman of the board of directors/ executive directors, one Vice Chairman of the board of directors together with a President together shall approve the payment of not exceeding to Baht 40 million (Forty Million Baht Only).
  - 2) Payment approval for operational management regarding to the expenditures on advertisement and sales promotion, the following executive directors have an authority to approve payment with additional financial amount from 1) as follows:
    - Vice chairman of the board of directors can approve the payment of not exceeding to Baht 60 million (Sixty Million Baht Only)
    - Chairman of the board of directors/ executive directors can approve the payment of not exceeding to Baht 80 million (Eighty Million Baht Only). In cases of emergency during the absence of Chairman of the board of directors/ executive directors, one Vice Chairman of the board of directors together with a President shall approve the payment of not exceeding to Baht 80 million (Eighty Million Baht Only)
  - 3) Payment approval for entertainment and charity expenses
    - Vice Chairman of the board of directors can approve a payment of not exceeding to Baht 500,000 (Five Hundred Thousand Baht Only)
    - Chairman of the board of directors/ chairman of the board of executive directors can approve a payment of not exceeding to Baht 1 million (One Million Baht Only)
  - 4) Payment approval for procurement
    - Chairman of the board of directors/ chairman of the board of executive directors can approve a payment of not exceeding to Baht 40 million (Forty Million Baht Only)
    - One president and one executive committee together can approve payment for procurement in the project that is approved by the board of directors and the board of executive committees abide by the procurement process, of not exceeding to Baht 100 million (One Hundred Million Baht Only)
- Overseeing the operations of the Company and its subsidiaries to ensure compliance with the Company's business policy, goals, action plan, business strategy, budgeting and authorities as approved by the Company's board of directors for the Company's benefit, as well as undertaking activities that are related to the Company's general administration and performing other duties as assigned by the Company's board of directors. For the year 2015, there were 12 meetings of Executive committee.

### 13. Control System and Internal Audit

The audits of the Company's operations are conducted by the internal audit team, that works closely with the system's development team to implement policies and procedures for good internal control and effectiveness of the operations of all units. The audit findings together with audit recommendations are reported to the President and CEO after completion of the audit, and reported to the Audit Committee on a quarterly basis.



## Corporate Governance

Other duties of the audit team are to evaluate the internal control run by many departments and propose recommendations on what needs further improvement to related agencies. Moreover, the Company's system's development and management team is responsible for improving operating procedures to enhance the efficiency in coordination and cross-checking assignments among departments in the Company.

### 14. Directors' Report

The authorized directors are responsible for the preparation of the Company's financial statements, and are required to certify that report individually in Section 3 of Annual Report Form 56-1 submitted to the Securities and Exchange Commission and the Stock Exchange of Thailand. In addition, the Management (i.e. Chairman of the Executive Committee & CEO and Finance Director) also certify quarterly as to the correctness of the financial statements and the responsibility to disclose information in compliance with the rules and regulations of the Stock Exchange of Thailand.

### 15. Investor Relations

The Company reports its performance and important information to the Securities and Exchange Commission and the Stock Exchange of Thailand via the assigned media on a regular basis, and arranges meetings with individual investors by designated representatives of the Company.

## 8.3 Nomination and Appointment of Directors and CEO

### 1. Independent Director

#### Requirements:

- 1) Holding no more than 1% of the shares with voting rights in the Company, subsidiaries, affiliates, or other juridical persons that may potentially lead to conflicts of interest. This shareholding also includes shares held by related persons.  
(Related persons refer to the person as described in Article 258 of the Stock and Exchange Act)
- 2) Not currently be an executive director / employee / worker / salaried consultant or controlling person of the company, parent company, subsidiary, or affiliate of equal level, or juridical person that may potentially lead to conflicts of interest. (For the present period and two years prior to appointment)
- 3) Have no relations by blood or by the registration as parents, spouse, siblings, or children of an executive, major shareholder, controlling person, person going to be nominated as executive or authorized person of the company or subsidiary.
- 4) Business relations with the company
  - a) Type of relation
    - Having a relation as a provider of a professional service
- 5) Hold no more than one percent of shares with voting rights of the company, parent company, subsidiary, affiliate, major shareholder, or controlling person. This includes the shareholding of persons related to this director.
- 6) Not currently hold position or used to be an executive director, employee, worker, salaried consultant, or controlling person of the company, parent company, subsidiary, or affiliate of equal level, major shareholder or controlling person of company, except for that the position has ended for no less than two years prior to the date of application submission to the Security and Exchange Commission.



## Corporate Governance

- 7) Have no relations by blood or by legal registration as parents, spouse, siblings, as well as children's spouse of other executives, major shareholders, controlling persons, persons going to be nominated as director, executive or controlling person of the company or subsidiary.
- 8) Have no current or past business relations with the company, parent company, subsidiary, or affiliate, major shareholder, controlling person, in a way that may obstruct independent judgment. Also, the person shall not be or used to be a significant shareholder or controlling person over the person with business relation to the company, parent company, subsidiary, or affiliate, major shareholder, or controlling person, except for that the position has ended for no less than two years prior to the date of application submission to the Security and Exchange Commission (SEC).
- 9) Not currently or previously have been an auditor of the company, parent company, subsidiary, or affiliate, major shareholder, controlling person. Also, the person shall not be or used to be a significant shareholder, controlling person, or shareholder of the audit agency in which the auditor for the company, parent company, subsidiary, affiliate, major shareholder, or controlling person, is employed, except for a position has ended not less than two years prior to the date of application submission to the SEC.
- 10) Not currently be or used to be a provider of any professional services including legal or financial consultancy, with more than two million baht fee per annum from the company, parent company, subsidiary, affiliate, major shareholder, or controlling person of the company. Also, the person shall not be or used to be a significant shareholder, controlling person, or shareholder of the service provider except for that the position has ended for no less than two years prior to the date of application submission to the SEC.
- 11) Not currently an appointed director who represents the company's director, major shareholder, or shareholder related to the major shareholder.
- 12) Not operating a similar business and significantly competing with the applicant business or subsidiary, or not currently a significant partner in a partnership company, not currently an executive director, worker, employee, salaried consultant, or hold more than one percent of shares with voting rights of other companies operating a similar business and significantly competing with the company or subsidiary.
- 13) Have no other conditions that may prevent the person from expressing independent views towards the company's operations.

**Nomination process:** The Nominating and Corporate Governance Committee will nominate and select persons as qualified by the Board of Director's requirements, which are in line with the SET and SEC guidelines. Afterwards the Committee shall seek approval at the Shareholders' Meeting.

The Nominating and Corporate Governance Committee is responsible for the selection of qualified and experienced individuals for the Board of Directors. These are then considered by the Company's Board of Directors and shareholders and elected as appropriate

### 2. Nomination of directors and top executives:

#### Nomination and appointment of the directors

The Company's directors will delegate the Nominating and Corporate Governance Committee to lay out the policy and requirements on selecting directors for the company and its subsidiaries. The factors taken into account will be the number of directors, the board structure, and composition. The Committee will determine the director qualifications, select and nominate qualified persons for the director position that has been expired and/or made vacant and/or been added. The Committee may propose to the Board of Directors for appointment and/or seek approval at the Shareholders' Meetings depending on the case. The



## Corporate Governance

Committee shall provide sufficient details for the company's directors and shareholders to make informed decisions.

### Selection and appointment of top executive

The selection and appointment of the company's top executive must be in line with rules on approval and processing as follows:

- Employment and appointment of Chief Executive Officer and/or Managing Director must be proposed to the Board of Directors for approval.

To appoint the director, the appointment should be made individually. The Company's articles require that the director election be done at the Shareholders' Meeting as follows:

- 1) One shareholder has one voting right. One share per one vote
- 2) Each shareholder will exercise their votes as per (1) to elect one or several directors, but cannot cast more or less votes to a particular person
- 3) The person receiving the highest votes and runners up will be elected as per the required number of directors for that election event.

In case persons receiving equal votes are more than the number of directors required, the meeting chairman will make the final decision.

How to vote:

- 1) At the meeting, the shareholders will have voting rights equal to the shares held. One share per one vote.
- 2) When there are shareholders with objections or abstentions, the votes for approval will be counted as voting agreement on the proposed agenda.

## Corporate Governance

### 8.4 Oversight of Subsidiaries and Associated Companies' Operations

1. Oversee the operations of the Company and its subsidiaries to ensure compliance with the Company's business policy, goals, action plan, business strategy, budgeting and authorities as approved by the Company's board of directors for the Company's benefits
2. The Executive Committee has the authority to approve the following transactions and items of the Company's subsidiaries;
  - Requests for loans or borrowings from financial institutes, surety, payments in support of the Company's regular operations, such as payments for investment, branch expansion and others
  - the annual budgets for the Company's subsidiaries
3. Approve the appointment of the Company's representatives to assume directorship in the committees and/or subcommittees of the Company's subsidiaries to oversee and ensure the greatest efficiency in, and optimum benefits of, all initiatives as approved by the Company

### 8.5 Control of Internal Information

The Company has announced the schedule during which share trading is prohibited before the quarterly and annual financial statements are announced and this was in accordance with the Stock Exchange of Thailand's regulations.

#### **Buying and selling shares using insider information, and the disclosure of information affecting stock trading**

Trading shares using insider information refers to the use of information which is not publicly and widely known, and relevant to the share prices, for the sake of personal interest.

The Company will take all legal actions relevant to the protection of investment in the public company on the stock exchange due to the disclosure of significant information.

Significant information refers to the information which investors deem important to their decisions in buying, selling, or holding of shares. For example, the company's sales forecast that has significantly increased or decreased, major organizational restructuring, change in executives or management, or the buying or selling major business units or assets.

The committees, management and employees shall not take any action which may affect the transactions to trade shares of the Company or other related companies, when possessing significant information that has not yet been publicly disclosed, particularly one month prior to the financial statements publicly announced. The Company will use all available sanctions in case the internal information is used for personal benefits.

It specifies that committees and employees at all levels of Corporate Secretariat Department and Investor Relations to submit the company's securities holding and trading to Corporate Secretariat Department before it's later submitted to Securities and Exchange Commission of Thailand in each case within the due date disclosed on associated laws and regulation.

The Company values the importance of internal controls in protecting it from possible damage. The Company sets clear objectives, operating plans, strategies, and procedures as operating and measurement tools.

To ensure a good internal control and audit system, the Audit Committee is assigned to make regular assessments to the Company's internal control system, at least once a year, and to report the findings to the Board of Directors after each assessment.

For the year 2015, the Audit Committee assessed the Company's internal control system by questioning and having discussions with management. Such assessment revealed that the Company had sufficient internal controls over the 5 major parts of its operations, namely, the organizational structure and environment, risk management, control over management, operations, information technology and communication, and follow-up procedures.



## Corporate Governance

### Organizational Structure and Environment

The structure and operating environment of the Company promotes effective operations and sufficient internal controls. Clear segregation of duties creates a check and control system in each working process. Operating manuals and procedures ensure standard practice in each of the operating units. Sub-system process and reduction of double work are reviewed regularly for efficiency improvement. The Company also sets clear and attainable annual targets and undertakes measurement of results, taking into account all variable factors such as the economic situation, market conditions and competition.

### Risk Management

The Company closely follows the changes in risk factors such as taxation, changes in raw material prices and other costs, in order to assess the impact and set up action plans for the survival of the business. The Company holds meetings with its management and employees on a regular basis to communicate the situation and the impact of external risks influencing the Company's operations and continuously sets up measurements to minimize the impact of those risks. In each operating unit, the head of the unit is responsible for risk management and prevention in his/her own unit.

### Management Control

The Company sets clear responsibilities, duties, and authorization of the management emphasizing the segregation of duties for authorization, recording, and safeguarding of assets. Transactions with major shareholders, directors, and management require approval from the Board of Directors to ensure no conflict of interest in the authorized transactions and to ensure the greatest benefit to the Company. The Company has an operating manual of authorization limits and approvals, and has set up a physical asset verification procedure to ensure the completed count on every item is done within three years and there is a sample count by the internal audit function to reconcile with the fixed asset register and accounting record.

### Information System and Communication

The Company submits sufficient and accurate information necessary for Board of Directors' decisions. Record keeping and accounting transactions are prepared according to recognized accounting standards, and are audited and reviewed by the Audit Committee and the external auditors.

The Company initiates operational policies in relation with intellectual property and copyright infringement. According to the intellectual property policy, all employees are committed to sign the act not to committing computer and intellectual property infringement. Consequently, the company comes up with the clear policy of Information System and Communication and the monitoring of the employees' software to check for violations of company policy against copyright infringement and inappropriately using workplace computers.

### Follow-up Procedures

The Company monitors its performance compared to its objectives and reports the results at the Board of Directors' meetings 6 times a year. Any major changes in factors affecting the Company's operations will result in a modification of the operating plan.

## 8.6 Auditor's Remuneration

### 8.6.1 Audit Fee for the year 2015

▪ Sermsuk Plc.	1,370,000 Baht
▪ Sermsuk Beverage Co., Ltd.	590,000 Baht
▪ Sermsuk Holdings Co., Ltd.	93,000 Baht
▪ Sermsuk Training Co., Ltd.	142,000 Baht
▪ Wrangyer Beverage (2008) Co., Ltd.	560,000 Baht
▪ Great Brands Limited	55,000 HKD

### 8.6.2 Non-audit Fee

▪ Tax Consulting Service	125,000 HKD
--------------------------	-------------

## Corporate Governance

### 8.7 Other activities in compliance with Good Corporate Governance principles

Details of Company directors' attendance at sub-committee meetings in compliance with good corporate governance

#### Board of Directors Meetings

Directors (number of meetings attended /number of total meetings)	Audit Committee	Compensation Committee	Risk Management Committee	Nominating and Corporate Governance Committee	Executive Committee	Annual General Shareholders
Mr. Photipong Lamsam	-	-	-	-	-	1/1
Mr. Somchai Bulsook	-	-	4/4	2/2	12/12	1/1
Mr. Suchin Wanglee	5/5	1/2	-	-	-	1/1
Prof. Dr. Khunying Suchada Kiranandana	5/5	-	4/4	-	-	1/1
Mr. Dhitivute Bulsook <sup>1</sup>	-	-	4/4	-	11/12	1/1
Mr. Pramoad Phornprapha	-	-	-	-	-	1/1
Mr. Thapana Sirivadhanabhakdi	-	2/2	4/4	2/2	10/12	1/1
Mr. Chotiphat Bijananda <sup>2</sup>	-	2/2	-	2/2	3/9	1/1
Mr. Sithichai Chaikriangkrai	-	-	4/4	-	12/12	1/1
Professor Rawat Chamchalerm	-	-	-	-	-	0/1
Mr. Sakchai Thanaboonchai	-	-	-	-	-	0/1
Mr. Rangsan Thammaneeuwong	-	-	-	-	-	1/1
Mr. Marut Buranasetkul	-	-	-	-	9/12	0/1
Mrs. Siripen Sitasuwan	3/5	-	2/4	-	-	0/1
Mr. Vivek Chhabra <sup>3</sup>	-	-	1/1	-	3/3	-

Remark: <sup>1</sup>Resigned as President and appointed as Vice Chairman of Executive Committee No.3 on October 1, 2015;

<sup>2</sup>Resigned as Executive Director on October 1, 2015;

<sup>3</sup>Appointed as Director on September 8, 2015 and appointed as Member of Risk Management Committee, Executive Director and President on October 1, 2015



## Corporate Social Responsibilities : CSR

### 9. Corporate Social Responsibilities (CSR)

#### 9.1 CSR Policy

Sermasuk Public Company Limited has complied with good corporate governance principles in its management policy for the Company & its subsidiaries to ensure that the business is conducted effectively and with transparency, accountability and fairness to all stakeholders, as well as being socially and environmentally responsible. Together this promotes the Company's and Thai society's sustainability under the "Sermasuk Fulfill Happiness" concept.

The Company's committees have incorporated social, environmental and stakeholder responsibility policies into the Company's & subsidiaries' code of conduct under eight (8) CSR principles as follows;

##### 1. Fair Operating Practices

Sermasuk has continued to incorporate good corporate governance practices into its business conduct to ensure efficiency, transparency and accountability across all operating process.

##### 2. Anti-Corruption Practices

###### Anti-corruption

###### Gifts and financial support in business

The company's business decisions are based on business logic guided by appropriate ethical and legal principles. The company will therefore avoid giving or offering any valuable items to customers or public officers, directly or indirectly, as a motive or reward for an inappropriate action. Also, the company will avoid any form of giving for the sake of business advantage that may cause a negative image to the company.

However the employees may provide receptions or gifts to customers or potential customers as deemed appropriate in some cases or circumstances. Giving gifts must be reasonable and not against the law.

Additionally, the Company has become a member of the Thai Chamber of Commerce, Thai Listed Companies Association and The Federation of Thai Industries, one of the leading private sector partner organizations that actively participates in Thailand's Private Sector Collective Action Coalition Against Corruption ("CAC"), which is an operation supported by the government and the Office of the National Anti-Corruption Commission.

Furthermore, the company is obligated to position itself clearly to implement bribery and corruption-prevention policies and is committed to collaborating with other government authorities on appropriate anti-corruption measures. In addition, the company encourages all employees including Committees and Directors to not engage in any corruption, make offers or bribes to any official in both the public and private sectors, either directly or indirectly, to obtain, remain or take advantage in business competition. Also, charitable activities conducted with regard to corruption are totally prohibited.

Herewith, the Company promotes clear and constant communications and standards for anti-corruption compliance policies and procedures. This includes an audit process that is designed primarily to reduce legal risk, as well as follow-up that is designed according to the anti-corruption and bribery policies to ensure the Company and its employees compliance with these policies.

###### Conflicts of interest

The Company's policy on conflicts of interest is clear and straightforward. The employees are prohibited from operating the business or take any actions that may conflict or compete with the Company, directly and indirectly. Also, employees are prohibited from taking action in the name of the Company or subsidiaries or the Company's joint venture, directly or indirectly, for the sake of their own interests, family, or partisan.



## Corporate Social Responsibilities : CSR

Examples of a conflict of interests that must be disclosed:

- The employee's own or family's interest is involved in a Company transaction:
  - Mutual benefits with competitors, suppliers, or customers of the Company
  - Mutual benefits with enterprises or organizations that has an intention to do business with the Company
  - Joint investing in companies that the Company intends to invest in
- Receiving gifts and support e.g. loans, special services, debt payments, special treatment in any form from individuals or organizations that currently deal or intend to deal with the Company or compete with the Company. The following are gifts and support that are not subject to conflicts of interest:
  - An act that is in line with good governance practices
  - An act that is not deemed to be motivated by business
  - Gifts of little value or inappropriate to the employee's status
  - An act that does not damage the Company's good image if such transaction is disclosed to the public.
- Work for or provide consulting to an individual, group of individuals, or juridical persons operating similar business or related business, and/or gain a reward either in the form of money or objects.

### 3. Respect For Human Rights

Sermasuk has conducted its business with respect for the human rights of all stakeholders including employees, customers, suppliers and consumers. The Company has also adhered to international human rights principles and ethical practices.

**Employees' Rights:** Employees are the key resource to drive our business to successfully achieve the Company's goals. The Company has recognized employees as the most important resource and provided fundamental rights to our employees as follows;

- The Company has provided a diverse range of training programs for employees including in-house training, external training, fam trips abroad, and assignment of teamwork practices in order to develop knowledge and skills.
- Fair hiring rights include the right to take leave and transfer. Channels for communication between employees and high-level executives have been established to allow executives to understand and directly listen to problems and suggestions from employees.
- The Company also provided employees' welfare including hospital fees for employees, life and health insurance for employees, provident fund, scholarships for employees and their children, and home loans. Caring for the safety of its employees, the Company organizes regular fire drills, accident prevention systems, and activities related to safety.

**Shareholder's Rights:** The Company gives importance to and recognizes the rights of all shareholders equally. The Company will not perform any duties that are considered as preferential treatment or which will lead to unfair treatment of shareholders under related laws and regulations. Sermasuk is committed to conducting its business effectively with transparency, prudence, good operating results and sustainable growth, in order to increase shareholder value in the long run.

### 4. Fair and equitable employee treatment

Employees are the Company's most important asset. In addition to undertaking staff development initiatives to enhance their knowledge, skills and capabilities, treating its employees with fairness and equity in all of its employment practices is the Company's focus. The Company is committed to providing equal pay for work of equal value by determining wages and other benefits in accordance with appropriate laws, regulations and general employment requirements, providing job assignments in a fair and unbiased manner



## Corporate Social Responsibilities : CSR

and giving equal opportunity in the employees' career growth that is influenced by their particular abilities. All employees are equitably treated as members of the organization and given freedom to show their different ideas in a creative manner. To ensure equitable treatment for employees, clear written procedures are incorporated into the corporate rules and regulations. The employees have freedom to tender their complaints about unfair and inequitable treatments they have received via their superiors, the employee committee or the call for fairness channel. The complaints can be delivered at a cross sectional level or directly to the Human Resource Development Department and they will receive a rapid response and solutions with high concentration and consideration.

5. **Customers' Rights:** The Company cares for customers with the highest responsibility in providing high quality products, value for money, fast and effective distribution and development of new products to provide the greatest **customer** satisfaction as well as building sustainable relations with **customers**. The Company also has many contact channels for consumers to search for related information, business contact, and complaint through its corporate website and call center.

6. **Environmental Protection**

To ensure effective environmental protection, Sermsuk follows strict environmental policies and operating guidelines to minimize the impact of our entire production process. We have broadened our environmental initiatives to the public through many dimensions of social activations. As a key player in driving sustainable social and environmental development in Thailand while conducting activities that deliver tangible results, the Company operates under the "5 Sermsuk Green Dimensions", which cover water, packaging, energy, environment and human resources.

### The First Dimension: Water

Water is Sermsuk's top priority. It's a major part of our business and a key element in everybody's lives. We have focused on conserving water for almost 63 years. Sermsuk was among the first companies in Thailand to introduce an innovative water treatment system to treat wastewater before releasing it from our production facilities. It serves as a showcase for the Thai public, attracting ongoing visits by students and other interested parties. Sermsuk shares our knowledge of wastewater treatment for the benefit of society.

Sermsuk expanded our business by establishing several regional production facilities around Thailand. Each is equipped with an efficient and effective wastewater treatment system. At our Pathumthani facility, located beside the Chao Phraya River, Sermsuk has invested more than 50 million Baht on a high-performance wastewater system to ensure that high-quality water is released into the river.

We monitor our wastewater treatment systems 24 hours a day, seven days a week. Water is analyzed throughout the treatment process and prior to release. Sermsuk's wastewater quality control process meets and exceeds the standards set by the Department of Industrial Works; the Ministry of Industry; and the Marine Department of the Ministry of Transportation, which are:

Parameter	PH	BOD	COD	TSS	TDS	TKN	Grease & Oil
Standard	5.5 - 9.0	≤ 20 ppm	≤ 120 ppm	≤ 50 ppm	≤ 3000 ppm	≤ 100 ppm	≤ 5 ppm

With these stringent controls, treated wastewater from Sermsuk's production facilities contain less than 5mg/l BOD (Biochemical Oxygen Demand). This is four times cleaner than required by the Department of Industrial Works and 40 times cleaner than typical wastewater from residential households. Since 2006, Sermsuk has invested to install a high-precision BOD online examination system in our production facilities. This computerized system monitors water quality around the clock, sending data directly to the Department of Industrial Works to facilitate effective real-time water management. This ensures the wastewater is always clean and friendly to the environment. This was attributable to the Company's determination and commitment to social responsibility and sustainable environmental protection.



## Corporate Social Responsibilities : CSR

### The Second Dimension: Packaging

To ensure sustainability regarding packaging, Sermasuk is applying the 3R concept: Reduce; Reuse; and Recycle. We incorporate the 3Rs into our upstream to downstream packaging procedures in several ways:

1. Reducing packaging material usage  
In 2015, a lighter PET bottle for Crystal drinking water was developed to sustainably ensure the sustainable and appropriate use of natural resources and also responds to the new trend in beverage packaging.
2. Reusing packaging by promoting the use of returnable bottles which can be 100% reused.
3. Recycling by sorting materials that can no longer be used and sending them to recycling facilities.

In 2006, Sermasuk joined with leading companies and major industrial groups to establish the **Thailand Institute of Packaging and Recycling Management for Sustainable Environment**. Under the supervision of the Federation of Thai Industries, the Institute's objective is to manage the country's used packaging materials correctly and sustainably and promote recycling for sustainable environmental protection. The institute has successfully reduced the used packages

According to the Institute's study, the recycling ratio from total waste in 2014 was 85.54%. The recyclable materials include glass, paper, plastic, steel and other metals, aluminum, and Beverage Carton.

The recycle learning centers were established in all four regions of Thailand to serve as models for waste and recycling management and became the ideal site for study tours and further learning about sustainability in waste management and recycling. This has driven state agencies to be aware of the importance of used packages and recycled materials management and the achievements made via stringent implementations. This marked the notable social achievement Sermasuk PCL has contributed via the institute for quality communities and people in Thailand.

### The Third Dimension: Energy

Sermasuk has launched a number of energy saving programs relating every division of the company, particularly its plants. The result in 2015 when compared to 2014 shows that the Company has achieved a reduction in energy-usage of 2.1%, which includes the uses of electric energy, fossil fuels and steam. Moreover, the company has always paid attention in implementing innovations that will help reduce energy usage such as energy-saving LED lights used in the company's manufacturing plants and offices, the use of liquid sucrose that helps reduce fuel-usage during the boiling process.

### The Development of Water Transportation to Reduce Pollution

The Company has been a pioneer in developing water transportation since 1980. At present, Sermasuk owns 3 tug boats, 4 cargo boats each of which can carry up to 8,400 crates. The tug's capacity is equivalent to 20 cargo trucks. That means it helps reduce fuel consumption by approximately 240,000 liters of gasoline per one year. On top of that, it helps decrease pollution, traffic congestion and depletion of the nation's energy reserves.

### The Use of Alternative Energy

Sermasuk is using methane gas, a bio-fuel that is a by-product of our wastewater treatment system, to replace bunker oil in the company's boiler system. This saves over 200,000 litres of bunker oil annually. Sermasuk also has facilitated the use of alternative energy such as NGV, LPG and diesel B5 in our entire fleet of vehicles.



## Corporate Social Responsibilities : CSR

### Renewable Energy

The Company joined with Department of Alternative Energy Development and Efficiency, Ministry of Energy to organize the Solar Hot Water project, which uses the thermal energy that is left over from the air pressure system as the renewable energy source that replaces bunker oil. It also promotes increasing water temperature prior to it passing to the steaming boiler which further reduces the use of bunker oil by approximately 180,000 liters annually. The initiative has reduced Sernsuk's fuel expenditures while helping to sustainably reduce the amount of greenhouse gases that contribute to climate change and global warming.

### The Fourth and Fifth Dimensions: Environment and Human Resources

Human resources are a key element for the success of environmental sustainability programs. A Company requires the support of its people to put best practices into place. It also needs commitment from employees who genuinely care about the environment.

Sernsuk promotes environmental awareness among our people on an ongoing basis. We have appointed teams of over 30 environmental crews. They are certified by the Department of Industrial Works and the Thailand Environment Institute to handle environmental issues and the wastewater treatment system. We also enhanced our employees' knowledge about environmental protection through continuing education with internal and external organizations to build understanding and provide experience in support of Sernsuk's operations.

The Company is introducing more green space to create an employee-friendly working environment. Our employees can relax and enjoy recreational activities at our facilities including tree growing, lotus ponds, football fields, canals and gardens. Sernsuk believes that good environment is beneficial to our people's well being and helps them to work better.

Sernsuk provides an opportunity for the public, including academics and students, to visit our wastewater treatment system. The program welcomes more than 1,000 visitors every year. Sernsuk has shared knowledge about anaerobic wastewater management with many organizations to spread awareness about environmental protection. Sernsuk has also provided information on wastewater management as well as microbes generated from the wastewater treatment system to several companies.

## 7. Contribution to community/social development

Sernsuk operates its business with efficiency and ethics. As a good corporate citizen, the Company is focused on supporting the development of communities and society while promoting well-beings for needy people by implementing philanthropic initiatives on a tangible and continual basis. The Company's employees are encouraged to undertake activations via several volunteer initiatives.

Sernsuk has a policy that is committed to business development along with social responsibility. The Company operates with high trust in good governance principles and placing importance on the promotion of stakeholder's benefits. Also, benefits to the community and society will be driven in line with the ultimate goal of developing the quality Thai society.

Sernsuk operates with efficiency and integrity and has demonstrated its good citizenship by taking part in the development of communities next to its plants nationwide. This also extends to an improvement of the underprivileged's quality of life. Sernsuk has been hosting several public projects in various areas e.g. community involvement, education and culture, job creation and skills development, technology development and access, income creation and community economy, healthcare, and social investment.

Sernsuk provides opportunities for employees to take part in community and society development by supporting several volunteer projects. This is to encourage more involvement and enhance awareness in public contributions, hence strengthening the community and society and leading eventually to sustainable development.



## Corporate Social Responsibilities : CSR

### 8. Innovations and promotion

#### **Innovation and its distribution as a result of being a responsible organization towards society, the environment and stakeholders**

Sermasuk's energy innovation initiative has been a key business process and the company has transferred this know-to externally as a model of a socially responsible business as follows:

**Energy:** Sermasuk has collaborated with the Department of Alternative Energy Development and Efficiency (DEDE), Ministry of Energy, in the 'Solar Hot Water' project, and a project to recycle the residual heat from air compressors in the plant's boiler to be used instead of the fuel oil. This can be processed by increasing the water temperature (by +20°C) before it enters the boiler system. The recycled energy can replace 160,000 liters of fuel oil a year. The project not only reduced energy costs, but also helps reduce carbon emissions, an important factor to climate change and global warming.

**CSR – DIW: Corporate Social Responsibility – Department of Industrial Works:** Sermasuk has collaborated with the Department of Industrial Works and Management System Certification Institute (Thailand) in the project "Standard of Social Responsibility for Industry Operators", in line with "ISO 26000" standards. These standards comprise 7 major topics: corporate governance, human rights, labor treatment, environment, fair operation, consumer issues, and involvement in community development. Sermasuk has been initiating the CSR-DIW project since 2009, and has been awarded for seven consecutive years. On 9 September 2015, Sermasuk representatives from headquarters and five plants, received the plaque in recognition for its CSR – DIW standard from the Deputy Permanent Secretary, Ministry of Industries. Sermasuk is the only drinks operators receiving constant certification of CSR-DIW standards which apply to all five plants. This prize shows that Sermasuk has been operating based on the sustainable path which include economic, social, and environmental aspects. The path is sought to lead to mutual acceptance and peaceful living.

### 9.2 Operations and reporting

#### (1) Reporting process

Sermasuk includes its social responsibility report in its annual report every year. The Company has analyzed and prioritized its stakeholders, internally and externally. The process includes identification of stakeholders, issue prioritization, keeping records, and assesses the advantages and effects in line with company's activities, products, services, and value chain. The practice is based on respect for stakeholder benefits and demands, sustainable development, and potential effects of company decisions in the view of the stakeholders.

Additionally Sermasuk has produced a Self Assessment Report as per the Corporate Social Responsibility standard issued by the Department of Industrial Works (CSR-DIW). The report is in line with international standard, ISO 26000 – Social Responsibility. The Sermasuk report has been reviewed by specialists and certified as per CSR – DIW standard from 2009 to present.

#### (2) Business operations in line with the policies that the Company has announced

Sermasuk has written a policy on social responsibility and has been communicating about this to its stakeholders as well as the public. Furthermore, the Company has collaborated with the Corporate Social Responsibility Institute initiated the "CSR DAY" trainings for the Company's employees. Its socially responsible operation is in line with social responsibility principles: Accountability, Transparency, Ethical Behaviour, Respect for Stakeholder Interests, Respect for the Rule of Law, Respect for International Norms of Behaviour, Respect for Human Rights. These principles have been applied to Company's policy and practices, and have been constantly reviewed to ensure that the company always operates with social responsibility.

Sermasuk has adopted socially responsible practices covering 7 areas: corporate governance, human rights, labor treatment, environment, fair operation, consumer issues, and involvement in community development.



## Internal Control and Risk Management

The company has appointed a Social Responsibility Committee with members from all departments, so as to create fair treatment, constant review and improvement, and finally lead to measurable outcomes for its CSR initiatives.

### 9.3 Business operations that have adverse impacts on social responsibility – None

### 9.4 Activities for social and environmental benefit

Sermasuk has conducted its business in line with corporate social responsibility. In addition to regular working processes, the Company had initiated and implemented many CSR activities and programs to reflect its policy of participation in community, social and environmental development. In the year 2015, the Company had undertaken a wide range of CSR initiatives between headquarters and production plants nationwide in partnership with community and society. The initiatives are as follows:

#### • Human and Labour Rights

- 1.1 Crystal drinking water kicked off The 2015 Rainbow Run featuring a run / walk fund-raising event for special needs in Thailand
- 1.2 The Pathum Thani Plant: Granted an “outstanding award” as a pioneering organization due to 100% of its employees wearing safety helmets
- 1.3 The Surat Thani Plant: Supporting a special talk under the topic of, “Work & Life Balance by Dharma” by Phra Maha Sompong Talaputto

#### 2. Environmental Issues

- 2.1 Power Plus: Sponsored Nation Bike Thailand 2015, promoting cycling for the sake of environmental conservation
- 2.2 The Chonburi Plant: Joined the People's Voluntary Forest Plantation for 800 Million Saplings Project in celebration of Her Majesty Queen Sirikit's 80th Birthday anniversary

#### 3. Consumer Issues

- 3.1 Sermasuk received ISO 22000:2005 Food Safety certification and became Thailand's leading beverage producer, meeting the three international quality standards

#### 4. Corporate Engagement and Community Development

- 4.1 Sermasuk contributed funding to the Thailand Institute of Packaging and Recycling Management for Sustainable Environment 2014-2015
- 4.2 The Pathum Thani Plant: Provided food and goodies to children with cerebral palsy at Rachawadee House
- 4.3 The Nakhon Ratchasima Plant: Employees and locals took part in blood donation
- 4.4 The Nakhon Sawan Plant: CSR activities held on Children's Day and Father's Day

## 10. Internal Control and Risk Management

### 10.1 Opinions about the Company's Internal Control System

The Audit Committee has examined the sufficiency in the Company's internal control system and stated that the Company had an adequate, sufficient and efficient internal control system. The financial statements were prepared and reported accurately according to the generally accepted accounting principles. The disclosures of information and connected transactions are adequately clear and the operations of the Company and its subsidiaries complied with the appropriate laws and regulatory requirements.

Sermsuk Public Company Limited and Its Subsidiaries

## Internal Control and Risk Management

### 10.2 Opinions that are different from those given by the Company's Board of Directors and the Audit

There are no different opinions in relation to the internal control system as stated in the report of the Audit Committee enclosed at the end of the annual report.

### 10.3 Internal Audit Executive

- 1) Name of the Company's Internal Audit  
Mrs. Panida Suesakulchokechai assumed the position of Internal Audit Manager.
- 2) Opinions of the Audit Committee about the qualifications of the executive who assumes such position  
The person is qualified to assume the position with adequate and sufficient expertise and experience to perform such duties.
- 3) Appointment, removal and transfer of the person who assumes the position  
This needs prior approval from the Audit Committee.



## Connected Transactions

### 11. Connected Transactions

11.1 The Company and its subsidiaries have entered into related parties transactions in 2015 as set below:

Name of Entities	Country of Incorporation/ Nationality	Nature of Relationship
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group
Thai Beverage Can Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold 50% indirectly
Bangkok Glass PLC.	Thailand	The Company hold ordinary shares
Petpack Co., Ltd.	Thailand	The Company hold ordinary shares
Beer Thai (1991) PLC.	Thailand	Direct subsidiary of the ultimate parent company
Beer Thip Brewery (1991) Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Cosmos Brewery (Thailand) Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Sang Som Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Sura Bangyikhan Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Piromsurang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Surathip Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Krittayabun Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Modern Trade Management Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Thurakij Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Muang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Nakorn Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Palang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Kijjakarn Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Numrungrud Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Numthip Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Yuk Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Pomklung Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Logistics Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Recycle Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Marketing Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Dhospaak Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Drinks Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Cash Van Management Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Oishi Group PLC.	Thailand	Direct subsidiary of the ultimate parent company

## Connected Transactions

Name of Entities	Country of Incorporation/ Nationality	Nature of Relationship
Oishi Trading Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
Oishi Ramen Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
Chang International Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
InterBev (Singapore) Limited	Singapore	Indirect subsidiary of the ultimate parent company
Super Brands Company Pte Ltd.	Singapore	Indirect subsidiary of the ultimate parent company
Fraser and Neave, Limited	Singapore	Associated of the ultimate parent company
F&N Interflavine Pte Ltd.	Singapore	Affiliated company in associate of the ultimate parent company
F&N Beverages Manufacturing Sdn Bhd	Malaysia	Affiliated company in associate of the ultimate parent company
The Southeast Insurance PLC.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Southeast Capital Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Southeast Life Insurance PLC.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
F & B International Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
T.C.C. Technology Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Pet Co., Ltd.	Thailand	The Company and directors hold ordinary shares and common directors
Crown Seal PLC.	Thailand	The Company hold ordinary shares and common director
Muangthai Insurance PLC.	Thailand	The directors hold ordinary shares and common director
Muangthai Life Insurance PLC.	Thailand	The directors hold ordinary shares and common director
Supcharoenakorn Co., Ltd (formerly: Kasemsapsiri 4 Co., Ltd)	Thailand	Ultimate parent company has common controlling equity holders
Phatra-leasing PLC.	Thailand	The directors hold ordinary shares and common director
Berli Jucker PLC.	Thailand	Common directors
Thai Malaya Glass Co., Ltd.	Thailand	Common directors
Gaew Grung Thai Co., Ltd.	Thailand	Controlling equity holder of the ultimate parent company holds substantial shares indirectly
TCC Hotel Asset Management Co., Ltd.	Thailand	Controlling equity holder of the ultimate parent company holds substantial shares indirectly



Sermasuk Public Company Limited and its Subsidiaries

## Connected Transactions

### 11.2 The pricing policies for transactions with related parties are explained further below:

Type of Transactions	Pricing policies
Sales of goods and rendering of services	Cost plus gross profit margin
Other income	Contractual prices, mutually agreed price
Interest income and interest expense	Rate as mutually agreed with reference to interest rate quoted by domestic commercial bank
Purchase of finished goods and raw materials	Cost of finished goods and raw materials plus gross profit margin
Trademark fee	Contractual prices
Subsidy for marketing expenses	Actual price stated in invoice
Directors' remuneration representing salary, director bonus and meeting allowance	Approval by the Company's directors and shareholders
Selling expenses	Contractual prices, mutually agreed price
Administrative expenses	Contractual prices, mutually agreed price

Significant transaction for the year ended 31 December 2015 with related parties were as follows:

#### Sales to related companies

(Amount : Million Baht)

Ref	Name	Relationship	Sales Amount for the year 2015	Balance due at December 31, 2015
1	Sura Bangyikhan Co., Ltd.	Direct subsidiary of the ultimate parent company	0.02	-
2	Surathip Co., Ltd.	Direct subsidiary of the ultimate parent company	168.98	-
3	Piromsurang Co., Ltd.	Direct subsidiary of the ultimate parent company	174.89	-
4	Num Yuk Co., Ltd.	Direct subsidiary of the ultimate parent company	1.27	-
5	Num Thurakij Co., Ltd.	Direct subsidiary of the ultimate parent company	4.29	0.69
6	Num Muang Co., Ltd.	Direct subsidiary of the ultimate parent company	8.46	1.01
7	Num Nakorn Co., Ltd.	Direct subsidiary of the ultimate parent company	6.00	0.59
8	Num Palang Co., Ltd.	Direct subsidiary of the ultimate parent company	18.45	2.60
9	Num Kijjakarn Co., Ltd.	Direct subsidiary of the ultimate parent company	19.54	1.82
10	Numrunrod Co., Ltd.	Direct subsidiary of the ultimate parent company	14.70	1.80
11	Numthip Co., Ltd.	Direct subsidiary of the ultimate parent company	6.19	0.55
12	Cash Van Management Co., Ltd.	Direct subsidiary of the ultimate parent company	0.56	0.60
13	Beer Thip Brewery (1991) Co., Ltd.	Direct subsidiary of the ultimate parent company	44.64	3.59
14	Modern Trade Management Co., Ltd.	Direct subsidiary of the ultimate parent company	2,300.16	217.42
15	Pomklung Co., Ltd.	Direct subsidiary of the ultimate parent company	0.02	-
16	Thai Beverage Recycle Co., Ltd.	Direct subsidiary of the ultimate parent company	0.01	-

Sermasuk Public Company Limited and its Subsidiaries

## Connected Transactions

Ref	Name	Relationship	Sale for the year 2015	Balance due as at December 31, 2015
17	Dhospaak Co., Ltd	Direct subsidiary of the ultimate parent company	0.84	0.18
18	Thai Beverage PLC.	Parent company and common director	0.12	-
19	Thai Beverage Marketing Co., Ltd.	Direct subsidiary of the ultimate parent company	0.29	0.03
20	Chang International Co., Ltd.	Indirect subsidiary of the ultimate parent company	1.96	0.66
21	Oishi Group PLC.	Direct subsidiary of the ultimate parent company	22.84	4.54
22	Oishi Ramen Co., Ltd.	Indirect subsidiary of the ultimate parent company	5.62	1.44
23	F&N Interflavine Pte Ltd.	Affiliated company in associate of the ultimate parent company	59.72	13.16
<b>Total</b>			<b>2,859.57</b>	<b>250.68</b>

### Purchase from related parties

(Amount : Million Baht)

Ref	Name	Relationship	Purchase Amount for the year 2015	Balance Due at December 31, 2015
1	Beer Thai (1991) PLC.	Finish Goods	123.71	0.91
2	Beer Thip Brewery (1991) Co., Ltd.	Finish Goods	277.79	15.57
3	Cosmos Brewery (Thailand) Co., Ltd.	Raw Materials	0.01	0.01
4	Krittayabun Co., Ltd.	Finish Goods	2.94	1.23
5	Thai Drinks Co., Ltd.	Raw Materials	1,019.91	107.13
6	Oishi Group PLC.	Finish Goods	29.69	4.01
7	Oishi Trading Co., Ltd.	Finish Goods	967.05	108.12
8	Bangkok Glass PLC.	Raw Materials	27.70	0.01
9	Petform (Thailand) Co., Ltd.	Raw Materials	627.87	170.57
10	Crown Seal PLC.	Raw Materials	89.18	18.52
11	The Pet Co., Ltd.	Raw Materials	346.30	49.77
12	Thai Beverage Can Co., Ltd.	Raw Materials	248.75	39.44
13	The Southeast Insurance PLC.	Insurance Premiums	1.27	-
14	Berli Jucker PLC.	Raw Materials	30.69	-
15	Thai Malaya Glass Co., Ltd.	Raw Materials	73.40	21.44
16	Petpack Co., Ltd.	Raw Materials	3.48	-
17	The Southeast Life Insurance PLC.	Insurance Premiums	0.05	-
<b>Total</b>			<b>3,869.79</b>	<b>536.73</b>



Sermasuk Public Company Limited and its Subsidiaries

## Connected Transactions

### Other Income

(Amount : Million Baht)

Ref	Name	Type of Other income	Other Income for the year 2015	Other Receivables at December 31, 2015
1	Sura Bangyikhan Co., Ltd.	Other Income - Scrap sales	0.03	-
2	Modern Trade Management Co., Ltd.	Other Income - Claim	0.02	-
3	Super Brands Company Pte. Ltd.	Other Income -Consultancy	130.00	-
4	Petform (Thailand) Co., Ltd.	Other Income - Utilities	3.57	2.09
5	The Pet Co., Ltd.	Other Income - Claims	1.17	0.02
6	Thai Beverage Can Co., Ltd.	Other Income - Claims	27.47	27.47
7	Gaew Grung Thai Co., Ltd.	Other Income - Scrap sales	0.83	-
8	T.C.C. Technology Co., Ltd.	Gain on disposal of intangible asset	3.91	-
9	F&N Interflavine Pte Ltd.	Miscellaneous Income	5.18	5.05
10	Thai Drinks Co., Ltd.	Trade Subsidies	476.44	63.48
11	Oishi Trading Co., Ltd.	Trade Subsidies	59.02	9.53
12	Oishi Group PLC.	Trade Subsidies	2.66	2.66
13	Bangkok Glass Co.,Ltd	Other Income - Scrap sales	-	0.95
14	Supcharoenakorn Co., Ltd	Gain on disposal of non-current assets held for sale	445.77	-
<b>Total</b>			<b>1,156.07</b>	<b>111.25</b>

### Dividend Incomes

(Amount : Million Baht)

Ref	Name	Relationship	Dividend income for the year 2015	Other Receivables at December 31, 2015
1	Crown Seal PLC.	The Company hold ordinary shares and common director	1.85	-
2	The Pet Co., Ltd.	The Company and directors hold ordinary shares and common directors	1.05	-
<b>Total</b>			<b>2.90</b>	<b>-</b>

Sermasuk Public Company Limited and its Subsidiaries

## Connected Transactions

### Selling Expenses:

(Amount : Million Baht)

Ref	Name	Type of Selling Expenses	Expenses for the year 2015	Other Payables at December 31, 2015
1	Modern Trade Management Co., Ltd.	Trade Direct Expenses	123.78	131.54
2	Thai Drinks Co., Ltd.	Trade Promotion Expenses	52.16	4.79
3	Dhospaak Co., Ltd.	Advertising	1.50	0.55
4	Oishi Group PLC.	Sales supporting Expenses	7.94	1.35
5	Oishi Ramen Co., Ltd.	Sales supporting Expenses	2.73	1.05
6	Crown Seal PLC.	Promotion cost	0.31	-
7	The Southeast Insurance PLC.	Insurance Premiums	11.78	-
8	F & B International Co., Ltd.	Sales supporting Expenses	1.20	-
9	Surathip Co., Ltd.	Damaged Product Claims	-	21.07
10	Piromsurang Co., Ltd.	Damaged Product Claims	-	3.38
<b>Total</b>			<b>201.40</b>	<b>163.73</b>



Sermasuk Public Company Limited and its Subsidiaries

## Connected Transactions

### Administrative expenses:

(Amount : Million Baht)

Ref	Name	Type of Administrative Expenses	Expenses for the year 2015	Other Payables at December 31, 2015
1	Num Yuk Co., Ltd.	Miscellaneous	0.03	0.03
2	Beer Thai (1991) PLC.	Miscellaneous	0.19	0.01
3	Beer Thip Brewery (1991) Co., Ltd.	Miscellaneous	0.83	0.14
4	Thai Beverage Logistics Co., Ltd.	Distribution Expenses	9.02	3.87
5	Muangthai Insurance PLC.	Insurance Premiums	0.03	0.02
6	The Southeast Insurance PLC.	Insurance Premiums	21.27	13.43
7	The Southeast Capital Co., Ltd.	Car Rental	8.77	0.73
8	Muangthai Life Insurance PLC.	Insurance Premiums	1.00	0.02
9	Phatra-Leasing PLC.	Car Rental	9.44	0.93
10	F&N Beverages Manufacturing Sdn Bhd	Miscellaneous	0.38	-
11	T.C.C. Technology Co., Ltd.	IT Service	10.10	1.32
12	Supcharoenakorn Co., Ltd.	Miscellaneous	2.25	2.55
13	TCC Hotel Asset Management Co., Ltd.	Miscellaneous	0.28	-
<b>Total</b>			<b>63.59</b>	<b>23.05</b>

### 11.2 Necessary connected transactions

As Sermasuk Public Co., Ltd., received copyrights to produce and distribute products under the trademarks of, "est", the production of licensed products in line with quality standards requires partial purchasing of materials from copyrights owners via related company who is representatives specified by them. Concerning pricing, the Company has negotiated with as well as gained support on marketing and sales & administrative expenses, so as to maximize benefits based on the agreement. As for indirect purchase via subsidiaries for future distribution, it is a way to maximize subsidiaries' production capacity. The prices and distribution profits are clear and been agreed upon. Material and product purchasing from other related companies are to identify resources for quality materials, and constant supply even in times of crisis.

### 11.3 Procedure for the Approval of Connected Transactions

Every connected transaction has been carefully considered and analyzed by the management for its pros and cons before entering into an agreement. All connected transactions with the related parties which have significant legal implications, have to be proposed to the Board of Directors for approval before any commitment is made.

### 11.4 Policy or Trend for Future Connected Transactions

The trend for future connected transactions continue to be the purchase of raw materials and finished products including marketing support between the Company, its associate and subsidiary companies, as well as the major shareholders, which were the normal business transactions of the Company

Sermasuk Public Company Limited and its Subsidiaries

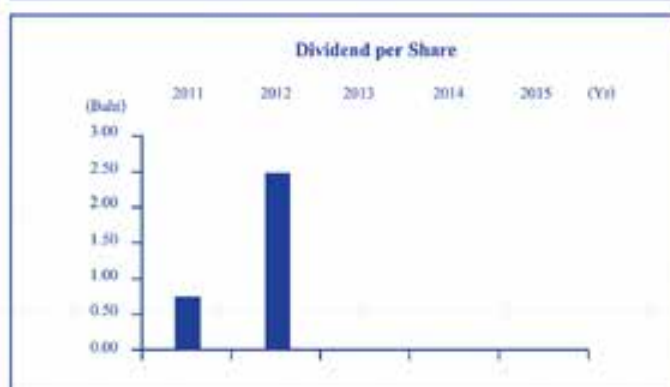
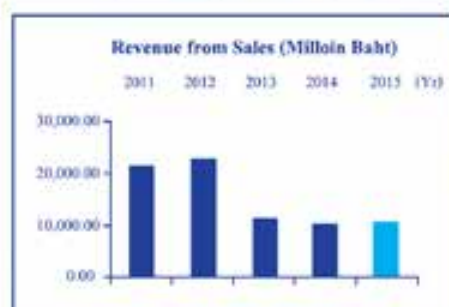
## Financial Data and Financial Statements

### 12 Financial Information and Financial Statements

The financial statements have audited by KPMG and expressed unqualified opinion with emphasize of the use of going concern basis of accounting

#### 12.1 Key Financial Data

	2015	2014	2013	2012	2011
Revenue from Sales (Million Baht)	10,514.64	10,384.81	11,171.99	22,820.68	21,430.54
Net Profit (Loss) (Million Baht)	(304.87)	288.08	(328.53)	600.23	55.13
Profit (Loss) per share (Baht)	(1.15)	1.08	(1.24)	2.27	0.21
Profit (Loss) per Total Revenue (%)	(2.72)	2.44	(2.87)	2.59	0.25
Return on Asset (%)	(2.42)	2.21	(2.50)	4.41	0.41
Return on Equity (%)	(3.55)	3.36	(3.84)	6.95	0.68
Dividend per share (Baht)	-	-	-	2.50	0.75





## Financial Data and Financial Statements

### 12.2 Financial Ratio

#### 12.2.1 Liquidity Ratio

Ratio	Consolidated			Separate		
	2015	2014	2013	2015	2014	2013
Current Ratio (Time)	0.9	1.0*	0.6*	0.8	0.7*	0.6*
Quick Ratio (Time)	0.4	0.3	0.2	0.4	0.2	0.2
Operating Cash Flow to Current Liability Ratio (Time)	-	(0.2)	(0.3)	-	(0.2)	(0.2)
Reveivable Turnover Ratio (Time)	18.9	16.0	17.9	15.0	15.3	18.2
Average Collection Period (Day)	19.3	22.8	20.4	24.3	23.9	20.1
Inventory Turnover Ratio (Time)	17.0	18.8	22.4	17.8	20.5	24.7
Average Inventory Period (Day)	21.5	19.4	16.3	20.5	17.8	14.8
Account Payable Ratio (Time)	9.1	9.3	7.9	7.2	8.0	8.0
Average Payment Period (Day)	40.1	39.2	46.2	50.7	45.6	45.6
Cash Cycle (Day)	0.7	3.0	(9.5)	(5.9)	(3.9)	(10.7)

#### 13.2.2 Profitability Ratio

Ratio	Consolidated			Separate		
	2015	2014	2013	2015	2014	2013
Gross Profit Margin (%)	20.7	24.7	27.3	20.1	23.1	25.6
Operating Profit Margin (%)	(11.6)	(15.4)	(8.3)	(12.1)	(16.6)	(9.1)
Non-operating Profit Margin (%)	3.2	2.5	3.9	2.7	1.8	3.1
Operating Cash Flow to Operating Profit (%)	2.7	48.0	93.1	8.7	60.3	74.6
Net Profit Margin(%)	(2.7)	2.4	(2.8)	(3.6)	(11.4)	(4.3)
Return on Equity (%)	(3.5)	3.4	(3.8)	(6.1)	(16.4)	(6.1)

#### 13.2.3 Efficiency Ratio

Ratio	Consolidated			Separate		
	2015	2014	2013	2015	2014	2013
Return on Assets (%)	(2.4)	2.2	(2.5)	(3.2)	(9.4)	(3.9)
Return on Fixed Assets(%)	(3.4)	3.0*	(3.5)*	(4.8)	(13.2)*	(5.8)*
Asset Turnover (Time)	0.9	0.8	0.9	0.9	0.8	0.9

#### 13.2.4 Financial Policy Ratio

Ratio	Consolidated			Separate		
	2015	2014	2013	2015	2014	2013
Debt to Equity Ratio (Time)	0.4	0.5	0.5	0.8	0.9	0.5
Interest Coverage (Time)	(37.6)	0.30	(49.1)	(47.7)	(37.9)	(67.3)
Debt Service Coverage Ratio (Time)	(2.1)	(0.7)*	(0.6)	(9.4)	(1.0)*	(0.5)
Payout Ratio (%)	-	-	-	-	-	-

\* Revised financial ratio are restated due to bottle & case reclassification of the year 2015.

## Independent Auditor's Report

### To the Shareholders of Sermasuk Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Sermasuk Public Company Limited and its subsidiaries (the "Group") and of Sermasuk Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2015, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



*Opinion*

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

*Emphasis of matter*

Without qualifying my opinion, I draw attention to note 2 to the financial statements describing the use of going concern basis of accounting



(Nirand Lilamethwat)  
Certified Public Accountant  
Registration No. 2316

KPMG Phoomchai Audit Ltd.  
Bangkok  
24 February 2016

Sermasuk Public Company Limited and Its Subsidiaries

## Statement of financial position

		Consolidated financial statements			Separate financial statements		
		31 December 2015	31 December 2014	1 January 2014	31 December 2015	31 December 2014	1 January 2014
Assets	Note						
					(in Baht)		
<b>Current assets</b>							
Cash and cash equivalents	3	520,895,498	225,534,056	186,256,297	427,869,163	185,824,569	139,683,614
Trade accounts receivable	4, 6	545,949,232	787,833,525	489,729,373	550,162,936	846,440,880	511,062,789
Other receivables from related parties	4	111,249,634	50,342,423	23,069,357	150,949,192	95,084,836	65,917,526
Other receivables	7	95,202,367	111,564,000	147,703,894	93,139,901	109,016,655	144,854,372
Short-term loans to related parties	4	-	-	-	125,000,000	125,000,000	384,600,000
Inventories	8	663,973,904	699,355,097	680,652,658	608,618,476	618,772,244	520,453,281
Prepaid excise taxes		97,220,289	85,926,702	92,173,879	84,111,343	73,682,622	80,254,863
Other current assets		111,918,564	115,500,539	164,809,085	110,660,224	113,910,787	135,222,421
Non-current assets held for sale	9	-	1,290,504,838	-	-	1,290,504,838	-
<b>Total current assets</b>		<b>2,146,409,488</b>	<b>3,366,561,180</b>	<b>1,784,394,543</b>	<b>2,150,511,145</b>	<b>3,458,237,431</b>	<b>1,982,048,866</b>
<b>Non-current assets</b>							
Restricted deposits at financial institution	34	506,379	495,815	830,263	506,379	495,815	830,263
Investment in an associate	10	431,274,155	379,709,851	276,307,785	30,000,000	30,000,000	30,000,000
Investments in subsidiaries	11	-	-	-	606,634,068	606,634,068	356,634,074
Other long-term investments	12	171,273,089	171,273,089	174,446,315	171,273,089	171,273,089	174,446,315
Long-term loan to a related party	4	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Investment properties	13	276,882,400	270,301,300	232,148,400	276,882,400	270,301,300	232,148,400
Property, plant and equipment	14	8,692,370,724	9,055,844,320	10,182,282,664	8,193,185,927	8,525,093,747	9,621,954,671
Intangible assets	15	17,918,898	18,047,560	21,317,623	15,836,095	16,017,125	16,504,125
Deferred tax assets	16	8,258,154	10,433,632	3,966,372	-	-	-
Other non-current assets		115,497,874	71,281,821	22,287,345	91,434,108	47,992,749	22,252,905
<b>Total non-current assets</b>		<b>9,716,981,673</b>	<b>9,980,387,388</b>	<b>10,916,586,767</b>	<b>9,388,782,066</b>	<b>9,670,807,893</b>	<b>10,457,770,753</b>
<b>Total assets</b>		<b>11,863,391,161</b>	<b>13,346,948,568</b>	<b>12,700,981,310</b>	<b>11,539,293,211</b>	<b>13,129,045,324</b>	<b>12,439,819,619</b>

The accompanying notes are an integral part of these financial statements.



Sermasuk Public Company Limited and its Subsidiaries

## Statement of financial position

Liabilities and equity	Note	Consolidated financial statements			Separate financial statements		
		31 December 2015	31 December 2014	1 January 2014	31 December 2015	31 December 2014	1 January 2014
		(in Baht)					
<b>Current liabilities</b>							
Short-term loans from financial institutions	17	-	1,000,000,000	700,000,000	-	1,000,000,000	700,000,000
Trade accounts payable	4, 18	922,056,423	875,505,100	766,244,851	1,193,791,318	1,126,164,517	860,160,641
Other payables to related parties	4	186,778,149	92,456,649	24,658,795	188,020,219	126,748,428	194,056,966
Other payables	19	755,738,320	995,990,360	779,239,080	727,823,633	971,292,338	762,361,184
Short-term loan from a related party	4	-	-	-	-	1,530,968,165	-
Income tax payable		3,175,882	3,473,726	-	-	-	-
Dividends payable		73,470,803	73,470,803	73,586,615	73,470,803	73,470,803	73,586,615
Customers' deposits on bottles and cases		435,202,605	436,650,910	522,184,823	435,202,605	436,650,910	522,184,823
Other current liabilities		53,871,226	26,242,831	43,468,561	51,975,662	20,045,484	23,925,627
<b>Total current liabilities</b>		<b>2,430,293,488</b>	<b>3,503,790,379</b>	<b>2,909,382,725</b>	<b>2,670,284,240</b>	<b>5,285,340,645</b>	<b>3,136,275,856</b>
<b>Non-current liabilities</b>							
Long-term loans from a related party	4	-	-	-	1,530,968,165	-	-
Deferred tax liabilities	16	40,860,678	152,834,651	463,455,429	25,564,964	136,446,241	446,951,428
Employee benefit obligations	20	944,798,789	945,652,584	925,548,183	937,311,840	939,367,263	920,935,876
<b>Total non-current liabilities</b>		<b>985,659,467</b>	<b>1,098,487,235</b>	<b>1,389,003,612</b>	<b>2,493,844,969</b>	<b>1,075,813,504</b>	<b>1,367,887,304</b>
<b>Total liabilities</b>		<b>3,415,952,955</b>	<b>4,602,277,614</b>	<b>4,298,386,337</b>	<b>5,164,129,209</b>	<b>6,361,154,149</b>	<b>4,504,163,160</b>
<b>Equity</b>							
Share capital:	21						
Authorised share capital		265,900,484	265,900,484	265,900,484	265,900,484	265,900,484	265,900,484
Issued and paid-up share capital		265,900,484	265,900,484	265,900,484	265,900,484	265,900,484	265,900,484
Premium on ordinary shares	21	1,342,448,425	1,342,448,425	1,342,448,425	1,342,448,425	1,342,448,425	1,342,448,425
Retained earnings (Deficit)							
Appropriated	22						
Legal reserve		26,795,766	26,795,766	26,795,766	26,795,766	26,795,766	26,795,766
General reserve		2,285,000,000	2,285,000,000	2,785,000,000	2,285,000,000	2,285,000,000	2,785,000,000
Unappropriated (Deficit)		2,103,763,229	1,380,341,107	555,950,971	126,264,375	(501,735,576)	163,491,127
Other components of equity	22	2,423,530,382	3,444,185,172	3,426,499,327	2,328,724,952	3,349,482,076	3,352,020,637
<b>Total equity</b>		<b>8,447,438,286</b>	<b>8,744,670,954</b>	<b>8,402,594,973</b>	<b>6,375,134,062</b>	<b>6,767,891,175</b>	<b>7,935,656,459</b>
<b>Total liabilities and equity</b>		<b>11,863,391,161</b>	<b>13,346,948,568</b>	<b>12,700,981,310</b>	<b>11,539,263,211</b>	<b>13,129,045,324</b>	<b>12,439,819,619</b>

The accompanying notes are an integral part of these financial statements.

Sermasuk Public Company Limited and its Subsidiaries

## Statement of comprehensive income

		Consolidated		Separate	
		financial statements		financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2015	2014	2015	2014
		(in Baht)			
<b>Income</b>	<b>4, 23</b>				
Revenue from sale of goods and rendering of services		10,514,638,690	10,384,808,947	10,468,160,765	10,366,234,037
Revenue from sale of trademark		-	1,280,810,294	-	-
Gain on disposal of non-current assets held for sale	9	445,765,957	-	445,765,957	-
Other income	24	256,501,496	132,943,155	305,004,306	195,366,229
<b>Total income</b>		<b>11,216,906,143</b>	<b>11,798,562,396</b>	<b>11,218,931,028</b>	<b>10,561,600,266</b>
<b>Expenses</b>					
Cost of sales of goods and rendering of services	4	8,333,330,349	7,712,636,709	8,367,196,177	7,863,407,320
Selling expenses	23	2,227,029,874	3,091,281,604	2,212,489,869	3,076,197,466
Administrative expenses	26	1,159,106,185	1,145,648,107	1,141,905,350	1,104,140,626
Finance costs		10,548,114	39,125,326	10,548,114	39,125,326
<b>Total expenses</b>		<b>11,730,014,522</b>	<b>11,988,691,746</b>	<b>11,732,139,510</b>	<b>12,082,870,738</b>
Share of profit of an associate, net of income tax	10	105,564,305	161,422,066	-	-
<b>Loss before income tax expense</b>		<b>(407,544,074)</b>	<b>(28,707,284)</b>	<b>(513,208,482)</b>	<b>(1,521,270,472)</b>
Income tax benefit	29	102,672,869	316,791,000	112,795,283	319,105,187
<b>Profit (loss) for the year</b>		<b>(304,871,205)</b>	<b>288,083,716</b>	<b>(400,413,199)</b>	<b>(1,202,165,285)</b>
<b>Other comprehensive income</b>					
<i>Items that will never be reclassified to profit or loss</i>					
Defined benefit plan actuarial gain	20	9,442,665	45,427,788	9,570,032	46,173,227
Income tax on other comprehensive income	29	(1,906,462)	(9,121,368)	(1,914,006)	(9,234,645)
		<b>7,536,203</b>	<b>36,306,420</b>	<b>7,656,026</b>	<b>36,938,582</b>
<i>Items that are or may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		102,334	20,224,426	-	-
Net change in fair value of available-for-sale investments	12	-	(3,173,226)	-	(3,173,226)
Income tax on other comprehensive income	29	-	634,645	-	634,645
		<b>102,334</b>	<b>17,685,845</b>	<b>-</b>	<b>(2,538,581)</b>
<b>Other comprehensive income for the year, net of income tax</b>		<b>7,638,537</b>	<b>53,992,265</b>	<b>7,656,026</b>	<b>34,400,001</b>
<b>Total comprehensive income (loss) for the year</b>		<b>(297,232,668)</b>	<b>342,075,981</b>	<b>(392,757,173)</b>	<b>(1,167,765,284)</b>
<b>Basic earnings (losses) per share (in Baht)</b>	<b>30</b>	<b>(1.15)</b>	<b>1.08</b>	<b>(1.51)</b>	<b>(4.52)</b>

The accompanying notes are an integral part of these financial statements.



## Statement of changes in equity

	Consolidated financial statements									
	Retained earnings					Other components of equity				
	Issued and paid-up share capital	Share premium	Legal reserve	General reserve	Unappropriated	Currency translation differences	Fair value changes in available-for-sale investments	Revaluation surplus	Share premium from business combination under common control	Total other components of equity
Note							(in Baht)			
<b>Year ended 31 December 2014</b>										
<b>Balance at 1 January 2014</b>	265,960,484	1,342,418,425	26,795,766	2,785,000,000	555,950,971	10,792,206	20,731,743	3,427,308,293	(32,332,915)	3,426,499,327
<b>Comprehensive income for the year</b>										
Profit	-	-	-	-	288,083,716	-	-	-	-	288,083,716
Other comprehensive income	-	-	-	-	36,306,420	20,234,426	(2,538,581)	-	-	53,992,265
<b>Total comprehensive income for the year</b>	-	-	-	-	324,390,136	20,234,426	(2,538,581)	-	-	17,685,845
Transfer to unappropriated retained earnings	-	-	-	(500,000,000)	500,000,000	-	-	-	-	-
Transfer to revaluation surplus on land related to non-current assets held for sale	-	-	-	-	-	-	-	(1,020,757,124)	-	-
<b>Balance at 31 December 2014</b>	265,960,484	1,342,418,425	26,795,766	2,285,000,000	1,380,341,107	31,026,632	18,193,162	2,406,551,169	(32,332,915)	3,444,185,172
										8,744,678,954

The accompanying notes are an integral part of these financial statements.

## 90

The accompanying notes are an integral part of these financial statements.



## Statement of changes in equity

Separate financial statements								
	Retained earnings			Other components of equity				
	Issued and paid-up share capital	Share premium	Legal reserve	General reserve	Unappropriated	Fair value changes in available-for-sale investments	Revaluation surplus on land related to non-current assets held for sale	Total other components of equity
Note								
Year ended 31 December 2014								
Balance at 1 January 2014	265,909,484	1,342,448,425	26,795,766	2,785,000,000	163,491,127	20,731,743	3,331,288,914	3,352,020,657
								7,935,656,459
Comprehensive income for the year								
Loss	-	-	-	-	(1,202,165,285)	-	-	(1,202,165,285)
Other comprehensive income	-	-	-	-	36,938,582	(2,538,581)	-	(2,538,581)
Total comprehensive income for the year	-	-	-	-	(1,165,226,703)	(2,538,581)	-	(2,538,581)
								(1,167,766,284)
Transfer to unappropriated retained earnings	-	-	-	(500,000,000)	500,000,000	-	-	-
Transfer to revaluation surplus on land related to non-current assets held for sale	-	-	-	-	-	-	(1,020,757,124)	-
							1,020,757,124	-
Balance at 31 December 2014	265,909,484	1,342,448,425	26,795,766	2,285,000,000	(501,735,576)	18,193,162	2,310,531,790	3,349,482,976
								6,767,891,175

The accompanying notes are an integral part of these financial statements.

## 92

The accompanying notes are an integral part of these financial statements.



Sermasuk Public Company Limited and its Subsidiaries

## Statement of cash flows

		Consolidated		Separate	
		financial statements		financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2015	2014	2015	2014
		(in Baht)			
<b>Cash flows from operating activities</b>					
Profit (loss) for the year		(304,871,205)	288,083,716	(400,413,199)	(1,202,165,285)
<i>Adjustments for</i>					
Depreciation and amortisation		721,245,181	684,032,649	669,522,974	632,816,226
Interest income		(3,297,837)	(2,284,435)	(6,721,660)	(9,124,637)
Finance costs		10,548,114	39,125,326	10,548,114	39,125,326
Dividends income	24	(2,901,049)	(4,059,243)	(56,901,049)	(62,079,243)
Unrealised (gain) loss on exchange		266,636	(2,559,312)	266,636	(2,561,299)
Allowance for doubtful accounts	6, 7	7,485,878	23,874,319	7,485,878	23,874,319
Allowance for decline in value of inventories		160,865,590	7,737,689	155,782,656	1,806,153
Gain on sale of trademark		-	(1,280,810,294)	-	-
Gain on disposal of non-current assets held for sale	9	(445,765,957)	-	(445,765,957)	-
Gain on disposal of plant and equipment	24	(13,542,072)	(19,995,102)	(13,542,072)	(19,366,178)
Fair value changes in investment properties	13	(6,581,100)	(38,152,900)	(6,581,100)	(38,152,900)
Loss on write-off equipment and intangible assets		-	2,769,238	-	-
Impairment losses on equipment	14	65,125,427	-	65,125,427	-
Employee benefit expenses		84,163,332	96,233,010	83,036,375	95,259,807
Provision		27,243,589	-	24,578,589	-
Share of profit of an associate, net of income tax	10	(105,564,305)	(161,422,066)	-	-
Income tax benefit	29	(102,672,869)	(316,791,000)	(112,795,283)	(319,105,187)
		91,747,353	(684,218,405)	(26,373,671)	(859,672,898)
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivable		238,004,355	(321,595,745)	292,398,005	(358,867,696)
Other receivables from related parties		(60,907,212)	(27,273,066)	(55,864,404)	(29,851,847)
Other receivables		(6,108,202)	36,035,814	(6,592,943)	35,733,636
Inventories		(125,484,397)	(33,940,128)	(145,628,888)	(107,625,115)
Prepaid excise taxes		(11,293,587)	6,247,176	(10,428,721)	6,572,241
Other current assets		8,969,169	11,135,834	3,250,587	3,842,804
Other non-current assets		(868,249)	4,876,322	(868,249)	4,876,322
Trade accounts payable		46,551,323	109,260,248	67,626,801	266,003,876
Other payables to related parties		94,321,500	67,797,854	61,271,791	(67,308,538)
Other payables		(239,986,503)	213,263,542	(232,557,418)	200,493,411
Customers' deposits on bottles and cases		(1,448,304)	(85,533,913)	(1,448,304)	(85,533,913)
Other current liabilities		27,628,396	(17,225,729)	31,930,179	(3,880,143)
Employee benefit paid		(34,606,803)	(27,455,969)	(42,904,720)	(27,436,919)
Cash used in operating activities		26,518,839	(748,626,165)	(66,189,955)	(1,022,654,779)
Income tax paid		(58,939,018)	(20,785,876)	(43,447,225)	(12,925,090)
<b>Net cash used in operating activities</b>		<b>(32,420,179)</b>	<b>(769,412,041)</b>	<b>(109,637,180)</b>	<b>(1,035,579,869)</b>

The accompanying notes are an integral part of these financial statements.

Sermasuk Public Company Limited and its Subsidiaries

## Statement of cash flows

	Note	Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
		2015	2014	2015	2014
<i>(in Baht)</i>					
<b>Cash flows from investing activities</b>					
Interest received		3,297,837	2,284,435	6,721,660	9,809,174
Dividends received		56,901,049	62,079,243	56,901,049	62,079,243
Short-term loans to related parties		-	-	-	259,600,000
Payment of shares to a subsidiary		-	-	-	(249,999,994)
Sale of trademark		-	1,280,810,294	-	-
Proceeds from disposal of non-current assets held for sale	9	1,736,270,795	-	1,736,270,795	-
Restricted deposits at financial institution		(10,564)	334,448	(10,564)	334,448
Purchase of plant and equipment		(468,211,995)	(835,821,313)	(447,706,837)	(809,207,357)
Sale of plant, equipment and intangible assets		17,758,801	22,069,552	17,758,801	21,428,430
Purchase of intangible assets		(6,884,481)	(989,767)	(6,810,975)	(989,767)
<b>Net cash from (used in) investing activities</b>		<b>1,339,121,442</b>	<b>530,766,892</b>	<b>1,363,123,929</b>	<b>(706,945,823)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(11,442,155)	(42,185,705)	(11,442,155)	(42,185,705)
Dividend paid to the owners of the Company		-	(115,813)	-	(115,813)
Proceeds from short-term loan from a related party		-	-	-	1,530,968,165
Proceeds from short-term loans from financial institutions		700,000,000	2,150,000,000	700,000,000	2,150,000,000
Repayment of short-term loans from financial institutions		(1,700,000,000)	(1,850,000,000)	(1,700,000,000)	(1,850,000,000)
<b>Net cash from (used in) financing activities</b>		<b>(1,011,442,155)</b>	<b>257,698,482</b>	<b>(1,011,442,155)</b>	<b>1,788,666,647</b>
<b>Net increase in cash and cash equivalents</b>		<b>295,259,108</b>	<b>19,053,333</b>	<b>242,044,594</b>	<b>46,140,955</b>
Cash and cash equivalents at 1 January		225,534,056	186,256,297	185,824,569	139,683,614
Foreign currency translation difference for foreign operation		102,334	20,224,426	-	-
<b>Cash and cash equivalents at 31 December</b>	5	<b>520,895,498</b>	<b>225,534,056</b>	<b>427,869,163</b>	<b>185,824,569</b>
<b>Non-cash transactions</b>					
Increase (decrease) in payables for acquisition of machinery and equipment		(45,188,732)	9,568,848	(44,818,866)	14,545,430
Reclassified from short-term loan to long-term loan from a related party		-	-	1,530,968,165	-

The accompanying notes are an integral part of these financial statements.



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Trade accounts receivable
7	Other receivables
8	Inventories
9	Non-current assets held for sale
10	Investment in an associate
11	Investment in subsidiaries
12	Other long-term investments
13	Investment properties
14	Property, plant and equipment
15	Intangible assets
16	Deferred tax
17	Short-term loans from financial institutions
18	Trade accounts payable
19	Other payables
20	Employee benefit obligations
21	Share capital
22	Reserves
23	Segment information
24	Other income
25	Selling expenses
26	Administrative expenses
27	Employee benefit expenses
28	Expenses by nature
29	Income tax benefit (expense)
30	Basic earnings (loss) per share
31	Financial instruments
32	Commitments with non-related parties
33	Credit facilities
34	Contingent liabilities
35	Events after the reporting period
36	Thai Financial Reporting Standards (TFRS) not yet adopted
37	Reclassification of accounts

## Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 24 February 2016.

### 1 General information

Serm Suk Public Company Limited, "the Company", is incorporated in Thailand and has its registered office at 252/35-36, Muang Thai-Phatra Complex, Tower 1, 27-28th Floor, Rachadapisek Road, Huay Kwang, Bangkok. The Company has its factories and warehouses in the important regions in Thailand.

The Company was listed on the Stock Exchange of Thailand in June 1975.

The immediate and ultimate parent companies during the year were Thai Beverage Logistics Co., Ltd. and Thai Beverage Public Company Limited. Both were incorporated in Thailand.

On 28 December 2015, the immediate parent company changed from Thai Beverage Logistics Co., Ltd. to So Water Co., Ltd. It is incorporated in Thailand.

The principal activities of the Group are to produce and distribute soft drinks, drinking water, mixers and other beverages, including as distributor of energy drinks and tea. Details of the Company's subsidiaries as at 31 December 2015 and 2014 were as follows:

Name of the entities	Type of business	Country of incorporation	Ownership interest (%)	
			2015	2014
<i>Direct subsidiaries</i>				
Great Brands Limited	Manage brands	Hong Kong	100.00	100.00
Sermasuk Holdings Co., Ltd.	Investment and holding shares in other companies	Thailand	99.99	99.99
Sermasuk Training Co., Ltd.	Human resources development and organisation	Thailand	99.99	99.99
<i>Indirect subsidiaries</i>				
Serm Suk Beverage Co., Ltd.	Produce and distribute tea, fruit juice and sports drinks	Thailand	99.99	99.99
Wrangyer Beverage (2008) Co., Ltd.	Produce and distribute energy drink	Thailand	99.99	99.99

### 2 Basis of preparation of the financial statements

#### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions ("FAP"); and applicable rules and regulations of the Thai Securities and Exchange Commission.



## Notes to the financial statements

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2015. The initial application of these new and revised TFRS has resulted in changes in certain of the Group's accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2016 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group's operations are disclosed in note 36.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<i>Items</i>	<i>Measurement bases</i>
Available-for-sale financial assets	Fair value
Investment properties	Fair value
Net defined benefit liability	Present value of the defined benefit obligation, limited as explained in Note 20

### (c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the financial statements and in the notes to the financial statements to the nearest thousand unless otherwise stated.

### (d) Use of judgements and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### *Assumptions and estimation uncertainties*

Information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 3(s)	Current and deferred taxation
Note 13	Valuation of investment properties
Note 16	Utilisation of tax losses
Note 20	Measurement of defined benefit obligations
Note 34	Provisions and contingencies

#### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

## Notes to the financial statements

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to Chief Finance Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 13 investment properties
- Note 14 property, plant and equipment, and
- Note 31 financial instruments.

### (e) Use of going concern basis of accounting

The Group incurred a net loss of Baht 304.87 million for the year ended 31 December 2015 (2014: net profit of Baht 288.08 million) and the Company incurred a net loss of Baht 400.41 million for the year ended 31 December 2015 (2014: Baht 1,202.17 million). As of that date, the Group's and the Company's current liabilities exceeded current assets by Baht 283.88 million and 519.77 million, respectively (2014: Baht 137.23 million and Baht 1,827.10 million, respectively). Those conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The Company's management has given careful consideration to the Group's and Company's financial and liquidity position and has executed plans to systematically improve the efficiency of distribution and sales by implementing modern technology enhancement as sales support to effectively reach targeted current and new customers both revenue and diversity of products. Moreover, the Group has expense control plans for savings in the areas of production cost continuing from last year, logistics and distribution, and other administrative expenses to improve its financial position, liquidity, cash flows and operating results.



## Notes to the financial statements

Moreover, the Group had no loan from financial institutions and had unutilised credit facilities which cover its current liabilities. Management believes that it is appropriate to adopt the going concern basis in the preparation of the financial statements. Therefore, these financial statements do not include any re-classification of assets carrying amounts or the amount and classification of liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

#### (a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in an associate.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### *Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates is accounted for using the equity method. It is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Notes to the financial statements

### (b) *Foreign currencies*

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

#### *Foreign operation*

The assets and liabilities of foreign operation are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operation is translated to Thai Baht at rates average approximating the foreign exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

### (c) *Cash and cash equivalents*

Cash and cash equivalents in the statements of cash flows comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (d) *Trade and other accounts receivable*

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.



## Notes to the financial statements

### (e) *Inventories*

Inventories are measured at the lower of cost and net realisable value.

Cost of finished goods, work in progress, other supplies, and bottles and cases are calculated using the weighted average cost principle and cost of raw materials, supplies, and spare part are calculated using the moving-average cost principle. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity and is calculated using standard cost adjusted to approximate average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

The Group records an allowance for decline in value of inventories for all deteriorated and obsolete inventories.

### (f) *Non-current assets held for sale*

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The assets (or disposal group) are measured at the lower of their carrying value and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment properties. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (g) *Investments*

#### *Investments in an associate and subsidiaries*

Investments in an associate and subsidiaries in the separate financial statements of the Company are accounted for using the cost method. Investment in an associate in the consolidated financial statements is accounted for using the equity method.

#### *Investments in equity securities*

Marketable equity securities are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price at the reporting date.

## Notes to the financial statements

### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group/Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

### **(h) Investment properties**

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost on initial recognition and subsequently at fair value, with any change recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### **(i) Property, plant and equipment**

#### *Recognition and measurement*

Property, plant and equipment are stated at cost less accumulated depreciation, allowance for loss of marketing equipment and impairment losses except for land which is stated at its revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

#### *Revalued assets*

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.



## Notes to the financial statements

Any increase in value, on revaluation, is recognised in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognised in profit or loss in respect of the same asset. A decrease in value is recognised in profit or loss to the extent it exceeds an increase previously recognised in other comprehensive income in respect of the same asset. Upon disposal of a revalued asset, any related revaluation surplus is transferred directly to retained earnings and is not taken into account in calculating the gain or loss on disposal.

### *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings, warehouses and improvement	20 - 30 years
Condominium	30 years
Machinery, equipment and tools	5 - 20 years
Vehicles	5 - 10 years
Furniture and office equipment	3 - 5 years
Plastic pallets	5 years
Container	12 - 15 years
Marketing promotion equipment	5 years

No depreciation is provided on freehold land or assets under construction and installment.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(j) Intangible assets**

#### *Trademarks*

Trademarks that are acquired by the Group and have infinite useful lives are measured at cost.

## Notes to the financial statements

### *Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation.

### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licenses

3 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that has been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

### *Calculation of recoverable amount*

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.



## Notes to the financial statements

### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(l) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

### **(m) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

### **(n) Employee benefits**

#### *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

#### *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

## Notes to the financial statements

### *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

### *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **(o) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **(p) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

### *Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

### *Loyalty programmes*

The Group has a customer loyalty programme whereby customers are awarded credits (Points) entitling customers to the right to purchase products from the Group at a discount or qualify for a free gift. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points is estimated by reference to the fair value of the right to purchase products at a discount or fair value of the free gift. The fair value is estimated based on the amount of the discount adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised only when the Points are redeemed and the Group has fulfilled its obligations to supply the products. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed in exchange for discounted products, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to profit or loss when it is no longer considered probable that the Points will be redeemed.



## Notes to the financial statements

### *Investments*

Revenue from investments comprises rental income from investment properties and dividend and interest income from investments and bank deposits.

### *Rental income*

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals are recognised as income in the accounting period in which they are earned.

### *Dividend income*

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

### *Interest income and other income*

Interest income and other income are recognised in profit or loss as it accrues.

### **(q) Finance costs**

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### **(r) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

### **(s) Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate items recognised directly in equity or in other comprehensive income.

## Notes to the financial statements

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (i) *Earnings (losses) per share*

The Group presents basic earnings (losses) per share data for its ordinary shares. Basic earnings (losses) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### (ii) *Segment reporting*

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, administrative expenses, finance costs and share of profit of an associate.



## Notes to the financial statements

### 4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with parent company, subsidiaries and an associate are described in notes 1, 10 and 11. Relationships with key management and other related parties that have transactions with the Group were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
Thai Beverage Can Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold 50% indirectly
Bangkok Glass PLC.	Thailand	The Company hold ordinary shares
Petpack Co., Ltd.	Thailand	The Company hold ordinary shares
Beer Thai (1991) PLC.	Thailand	Direct subsidiary of the ultimate parent company
Beer Thip Brewery (1991) Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Cosmos Brewery (Thailand) Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Sang Som Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Sura Bangyikhan Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Piromsurang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Surathip Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Krittayabun Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Modern Trade Management Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Thurakij Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Muang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Nakorn Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Palang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Kijjakarn Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Numrunrod Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Numthip Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Yuk Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Pomklung Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Logistics Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Recycle Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Marketing Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Dhospaak Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Drinks Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Cash Van Management Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Oishi Group PLC.	Thailand	Direct subsidiary of the ultimate parent company
Oishi Trading Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
Oishi Ramen Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
Chang International Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
InterBev (Singapore) Limited	Singapore	Indirect subsidiary of the ultimate parent company
Super Brands Company Pte Ltd.	Singapore	Indirect subsidiary of the ultimate parent company
Fraser and Neave, Limited	Singapore	Associated of the ultimate parent company
F&N Interflavine Pte Ltd.	Singapore	Affiliated company in associate of the ultimate parent company



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

Name of entities	Country of incorporation/ nationality	Nature of relationships
F&N Beverages Manufacturing Sdn Bhd	Malaysia	Affiliated company in associate of the ultimate parent company
The Southeast Insurance PLC.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Southeast Capital Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Southeast Life Insurance PLC.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
F & B International Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
T.C.C. Technology Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Pet Co., Ltd.	Thailand	The Company and directors hold ordinary shares and common directors
Crown Seal PLC.	Thailand	The Company hold ordinary shares and common director
Muangthai Insurance PLC.	Thailand	The directors hold ordinary shares and common director
Muangthai Life Insurance PLC.	Thailand	The directors hold ordinary shares and common director
Supcharoenakorn Co., Ltd (formerly: Kasemsapsiri 4 Co., Ltd)	Thailand	Ultimate parent company has common controlling equity holders
Phatra-leasing PLC.	Thailand	Common director
Berli Jucker PLC.	Thailand	Common directors
Thai Malaya Glass Co., Ltd.	Thailand	Common directors
Gaew Grung Thai Co., Ltd.	Thailand	Controlling equity holder of the ultimate parent company holds substantial shares indirectly
TCC Hotel Asset Management Co., Ltd.	Thailand	Controlling equity holder of the ultimate parent company holds substantial shares indirectly

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sales of goods and rendering of services	Cost plus gross profit margin
Other income	Contractual prices, mutually agreed price
Interest income and interest expense	Rate as mutually agreed with reference to interest rate quoted by domestic commercial bank
Purchase of finished goods and raw materials	Cost of finished goods and raw materials plus gross profit margin
Trademark fee	Contractual prices
Subsidy for marketing expenses	Actual price stated in invoice
Directors' remuneration representing salary, director bonus and meeting allowance	Approval by the Company's directors and shareholders
Selling expenses	Contractual prices, mutually agreed price
Administrative expenses	Contractual prices, mutually agreed price



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

Significant transactions for the years ended 31 December with related parties were as follows:

<i>Year ended 31 December</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b>An associate</b>				
Purchase of raw materials	627,874	730,166	627,874	730,166
Dividend income	54,000	58,020	54,000	58,020
Other income	3,575	-	3,575	-
<b>Subsidiaries</b>				
Sale of goods and rendering of services	-	-	220,700	184,800
Purchase of finished goods and services	-	-	566,645	626,798
Trademark fee	-	-	-	116,191
Interest income	-	-	-	7,442
Selling and administrative expenses	-	-	19,448	11,119
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	89,437	75,480	89,437	75,480
Post-employment benefits	4,093	5,337	4,093	5,337
Other long-term benefits	3	3	3	3
Directors' remunerations	7,438	9,962	7,438	9,962
Total key management personnel compensation	100,971	90,782	100,971	90,782
<b>Other related parties</b>				
Sale of goods and rendering of services	2,856,565	483,458	2,799,851	483,458
Revenue from sale of trademark	-	1,280,810	-	-
Gain on disposal of non-current assets held for sale	445,766	-	445,766	-
Other income	168,608	3,439	163,408	3,418
Dividend income	2,901	4,059	2,901	4,059
Purchase of finished goods and raw materials	3,241,912	2,314,509	3,151,185	2,230,895
Subsidy for marketing expense	538,119	158,603	538,119	158,603
Selling expenses	201,400	111,214	201,400	111,214
Administrative expenses	63,590	35,169	61,917	34,833

Balances as at 31 December with related parties were as follows:

<i>Trade accounts receivable from related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Ultimate parent company	-	1	-	1
Subsidiaries	-	-	49,438	88,338
Other related parties	250,675	361,632	237,520	361,632
<b>Total</b>	<b>250,675</b>	<b>361,633</b>	<b>286,958</b>	<b>449,971</b>

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### Other receivables from related parties

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	44,749	44,754
An associate	2,086	1,527	2,086	1,527
Other related parties	109,164	48,815	104,114	48,804
<b>Total</b>	<b>111,250</b>	<b>50,342</b>	<b>150,949</b>	<b>95,085</b>

### Loans to related parties

	Interest rate		Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014	2015	2014
	<i>(% per annum)</i>		<i>(in thousand Baht)</i>			
<b>Short-term loan</b>						
Subsidiary	3.10	3.10	-	-	125,000	125,000
<b>Long-term loan</b>						
Other related party	4.56	4.50	3,000	3,000	3,000	3,000
<b>Total</b>			<b>3,000</b>	<b>3,000</b>	<b>128,000</b>	<b>128,000</b>

Movement during the years ended 31 December of loans to related parties were as follows:

### Short-term loans to related parties

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
At 1 January	-	-	125,000	384,600
Decreased	-	-	-	(259,600)
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>125,000</b>

There were no movements on the long-term loan to a related party during the years ended 31 December 2015 and 2014.

### Trade accounts payable to related parties

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	315,718	293,869
An associate	170,566	127,693	170,566	127,693
Other related parties	366,163	346,362	355,600	323,221
<b>Total</b>	<b>536,729</b>	<b>474,055</b>	<b>841,884</b>	<b>744,783</b>

### Other payables to related parties

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	1,346	34,316
Other related parties	186,778	92,457	186,674	92,432
<b>Total</b>	<b>186,778</b>	<b>92,457</b>	<b>188,020</b>	<b>126,748</b>



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### Loans from related parties

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<b>Short-term loan</b>				
Subsidiary	-	-	-	1,530,968
<b>Long-term loan</b>				
Subsidiary	-	-	1,530,968	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>1,530,968</u>	<u>1,530,968</u>

There were no movements on the loan from a related party during the years ended 31 December 2015 and 2014.

### Balances with key management personnel

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Employee benefit obligations	73,295	77,497	73,295	77,497

### Significant agreements with related parties

#### Loan agreements

On 21 May 2009, the Company and a related company, "Borrower", agreed to long-term loan agreements with of The Pet Co., Ltd. in the amount of Baht 3 million, and repay within 20 May 2014. These agreements shall continue to be in effect for another period of five years if there is no change at the maturity date. Interests are payable quarterly at the MRR of a financial institution at the beginning of each quarter. Subsequently on 1 January 2013, the Company and Borrower agreed to change the interest rate to Money Market Rate of a financial institution at the beginning of each quarter.

On 12 December 2012, the Company entered into a short-term loan agreement with Wrangyer Beverage (2008) Co., Ltd. of Baht 125 million which is repayable at call. Interest is payable quarterly at rate as stipulated in the agreement.

On 18 December 2014, the Company entered into a short-term loan agreement with Great Brands Limited, "Lender" for a loan facility of Baht 1,700 million. Interest is at rate as stipulated in the agreement or further agreed which is repayable in full after one year from the drawdown date or such other date which the Lender specifies. Subsequently on 9 September 2015, the Company and the Lender made an amendment to repay the principle after four years from the drawdown date or such other agreed date which beyond the maturity date. At 31 December 2015, the Company had utilised loan facility totalling Baht 1,530.97 million.

#### Co-packing agreement

The Company entered into an agreement with its subsidiary in order to appoint to produce drinking water under "Crystal" trademark. The Company has to comply with conditions as specified in the agreement. The agreement is for three years and ends on 31 March 2018.

A subsidiary entered into an agreement with a related party in order to appoint to produce energy drink under "Ranger" trademark. A subsidiary has to comply with conditions as specified in the agreement. The agreement is for one year and ends on 31 July 2016.

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Appointment agreement*

The Company entered into an agreement with a related company to be appointed to distribute bottled green tea. The Company has to comply with certain conditions contained in the agreement for a period of three years including a renewal option.

### *Co-packing and distribution agreement*

The Company and its subsidiary entered into a "Co-packing and Distribution" agreement with a related company to produce and distribute returnable glass bottled tea drinks. The Company and its subsidiary have to comply with certain conditions contained in the agreement for a period of five years which ends on 31 July 2017.

The Company entered into a "Co-packing and Distribution" agreement with a related company to produce and distribute carbonated soft drink under "est" trademark. The Company has to comply with conditions as specified in the agreement for a period of three years, effective from 1 January 2015 to 31 December 2017.

The Company entered into a "Co-packing and Distribution" agreement with a related company to produce and distribute product under "100 Plus" trademark. The Company has to comply with conditions as specified in the agreement for a period of three years, effective from 1 June 2015 to 31 May 2018.

### *Trademark license agreement*

The Company entered into a trademark license agreement with a subsidiary for the right to use trademark in producing, packaging, selling and distributing the products as stipulated in the agreement. The Company has to comply with certain conditions contained in the agreement for which the duration is not specified. This agreement was effective from 2 November 2012. The Company is committed to pay a trademark fee at the rate as stipulated in the agreement. Subsequently on 24 December 2014, the Company terminated the agreement, effective from 31 December 2014 onwards.

### *Consultancy Services Agreement*

The Company entered into a Consultancy Services Agreement with a related company to manage warehouse, product distribution, and supply chain especially overseas market. The Company has to comply with conditions as specified in the agreement. The agreement is for a period of two years, effective from 1 January 2015 to 31 December 2016 with service fee in amount of Baht 130 million per year.

### *Commitments with related parties*

#### *Operating lease commitments*

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Within one year	14,606	12,056	14,606	11,804
After one year but within five years	23,298	19,838	23,298	19,838
<b>Total</b>	<b>37,904</b>	<b>31,894</b>	<b>37,904</b>	<b>31,642</b>

#### *Other commitment*

As at 31 December 2015, the Company had a commitment for purchase orders for goods with related parties amounting to Baht 146.31 million (2014: None).



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Cash on hand	23,822	22,964	23,792	22,934
Call deposits	497,074	202,570	404,077	162,891
<b>Total</b>	<b>520,896</b>	<b>225,534</b>	<b>427,869</b>	<b>185,825</b>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	487,440	219,928	427,869	185,825
Hong Kong Dollars (HKD)	33,456	5,606	-	-
<b>Total</b>	<b>520,896</b>	<b>225,534</b>	<b>427,869</b>	<b>185,825</b>

### 6 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Related parties	4	250,675	361,633	286,958	449,971
Other parties		339,208	466,255	307,139	436,524
<b>Total</b>		<b>589,883</b>	<b>827,888</b>	<b>594,097</b>	<b>886,495</b>
Less allowance for doubtful accounts		(43,934)	(40,054)	(43,934)	(40,054)
<b>Net</b>		<b>545,949</b>	<b>787,834</b>	<b>550,163</b>	<b>846,441</b>
Bad and doubtful debts expenses for the year		<b>3,880</b>	<b>23,488</b>	<b>3,880</b>	<b>23,488</b>

Serm Suk Public Company Limited and its Subsidiaries

## Notes to the financial statements

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<b>Related parties</b>				
Within credit terms	236,337	299,463	285,775	387,801
Overdue:				
Less than 1 month	5,737	62,170	1,183	62,170
1 - 3 months	8,601	-	-	-
	<u>250,675</u>	<u>361,633</u>	<u>286,958</u>	<u>449,971</u>
<b>Other parties</b>				
Within credit terms	207,524	180,698	185,519	159,511
Overdue:				
Less than 1 month	67,168	88,174	57,104	79,671
1 - 3 months	26,363	169,954	26,363	169,954
Over 3 months	38,153	27,429	38,153	27,388
	<u>339,208</u>	<u>466,255</u>	<u>307,139</u>	<u>436,524</u>
Less allowance for doubtful accounts	(43,934)	(40,054)	(43,934)	(40,054)
<b>Net</b>	<u>295,274</u>	<u>426,201</u>	<u>263,205</u>	<u>396,470</u>
<b>Total</b>	<u>545,949</u>	<u>787,834</u>	<u>550,163</u>	<u>846,441</u>

The normal credit term granted by the Group ranges from 10 days to 60 days.

The currency denomination of trade accounts receivable as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Thai Baht (THB)	545,949	787,554	550,163	846,161
United States Dollars (USD)	-	280	-	280
<b>Total</b>	<u>545,949</u>	<u>787,834</u>	<u>550,163</u>	<u>846,441</u>

### 7 Other receivables

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Other receivables	53,367	62,457	53,367	62,417
Less allowance for doubtful accounts	(25,706)	(22,101)	(25,706)	(22,101)
<b>Net</b>	<u>27,661</u>	<u>40,356</u>	<u>27,661</u>	<u>40,316</u>
Prepaid expenses	51,113	61,931	49,531	59,946
Advance payment	8,535	8,930	8,056	8,408
Unearned revenue	7,893	347	7,892	347
<b>Total</b>	<u>95,202</u>	<u>111,564</u>	<u>93,140</u>	<u>109,017</u>
Bad and doubtful debts expenses for the year	<u>3,605</u>	<u>386</u>	<u>3,605</u>	<u>386</u>



## Notes to the financial statements

### 8 Inventories

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Finished goods	496,535	461,444	489,382	452,415
Work in progress	3,337	5,327	3,337	5,327
Raw materials and supplies	281,515	187,677	227,573	115,803
Spare parts	117,225	117,050	112,019	111,508
Other supplies	2,425	4,054	2,425	4,054
	<b>901,037</b>	<b>775,552</b>	<b>834,736</b>	<b>689,107</b>
Less allowance for decline in value	(237,063)	(76,197)	(226,118)	(70,335)
<b>Net</b>	<b>663,974</b>	<b>699,355</b>	<b>608,618</b>	<b>618,772</b>
Inventories recognised as an expense in 'cost of sales of goods':				
- Cost	8,006,288	7,524,560	8,237,074	7,852,573
- Write-down to net realisable value	185,734	32,627	180,651	26,578
- Reversal of write-down	(24,868)	(24,889)	(24,868)	(24,772)
<b>Net</b>	<b>8,167,154</b>	<b>7,532,298</b>	<b>8,392,857</b>	<b>7,854,379</b>

### 9 Non-current assets held for sale

As at the extraordinary general meeting of the shareholders of the Company held on 23 December 2014, shareholders has resolved to approve entering into a sales transaction for land and buildings of Thonburi branch with a related party. Therefore such assets were presented as non-current assets held for sale. Subsequently, on 17 April 2015, the Company entered into a sales agreement and completed the transfer of the land and buildings of Thonburi branch to the related party at the Department of Land. The proceeds from the sale of the land and buildings of Thonburi branch, net of related selling expenses of Baht 1,736.27 million, resulted in an increase in retained earnings by transfer of revaluation surplus of land in the amount of Baht 1,020.76 million, and recognition of a gain of Baht 445.77 million on the sale of assets held for sale in the statement of comprehensive income for the year ended 31 December 2015.

### 10 Investment in an associate

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
At 1 January	379,710	276,308	30,000	30,000
Share of net profit of equity				
- accounted investment	105,564	161,422	-	-
Dividend income	(54,000)	(58,020)	-	-
<b>At 31 December</b>	<b>431,274</b>	<b>379,710</b>	<b>30,000</b>	<b>30,000</b>

## 118

Perform (Thailand) Limited mainly manufactures and distributes PET preforms, closures, and PET bottles. This associate is not publicly listed and consequently does not have published price quotations.

[illegible]



## Notes to the financial statements

### An associate

The following table summarises the financial information of the associate as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this company.

	<b>Petform (Thailand) Limited</b>	
	2015	2014
	<i>(in thousand Baht)</i>	
Revenue	2,578,741	2,874,154
Profit from continuing operations	265,665	403,555
Other comprehensive income	(6,298)	(665)
<b>Total comprehensive income</b>	<b>259,367</b>	<b>402,890</b>
Current assets	694,707	706,749
Non-current assets	1,613,335	1,596,401
Current liabilities	(486,671)	(881,280)
Non-current liabilities	(747,882)	(472,748)
<b>Net assets</b>	<b>1,073,489</b>	<b>949,122</b>
Attributable to investee's shareholders	1,073,489	949,122
Group's interest in net assets of investee at 1 January	379,710	276,308
Total comprehensive income attributable to the Group	105,564	161,422
Dividends received during the year	(54,000)	(58,020)
<b>Carrying amount of interest in investee at 31 December</b>	<b>431,274</b>	<b>379,710</b>

### 11 Investments in subsidiaries

	<b>Separate financial statements</b>	
	2015	2014
	<i>(in thousand Baht)</i>	
At 1 January	606,634	356,634
Payment of the remaining unpaid portion of shares	-	150,000
Acquisitions	-	100,000
<b>At 31 December</b>	<b>606,634</b>	<b>606,634</b>

At the Board of Directors meeting of Sermasuk Holdings Co., Ltd., a subsidiary of the Company, held on 14 January 2014, the Board of Directors approved for shareholders to pay up the remaining unpaid portion of shares of Baht 3 per share, amounting to Baht 150 million. The unpaid portion of shares was paid in March 2014.

At the Board of Directors meeting of the Company held on 11 August 2014, the Board of Directors approved to subscribe for the additional share capital in Sermasuk Holdings Co., Ltd., a subsidiary of the Company, of 10 million ordinary shares with a Baht 10 par value, amounting to Baht 100 million. The additional share capital was paid in September 2014.

## Notes to the financial statements

Investments in subsidiaries as at 31 December 2015 and 2014, and dividend income from those investments for the years then ended, were as follows:

Subsidiaries	Type of business	Separate financial statements							
		Ownership interest		Paid-up capital		Cost		Dividend income	
		2015	2014	2015	2014	2015	2014	2015	2014
		<i>(in thousand Baht)</i>							
<b>Direct subsidiaries</b>									
Sermasuk Holdings Co., Ltd.	Investment and holding shares in other companies	99.99	99.99	600,000	600,000	600,000	600,000	-	-
Great Brands Limited	Manage brands	100.00	100.00	HKD 1,000	HKD 1,000	4,134	4,134	-	-
Sermasuk Training Co., Ltd.	Human resources development and organisation	99.99	99.99	2,500	2,500	2,500	2,500	-	-
<b>Total</b>						<b>606,634</b>	<b>606,634</b>	<b>-</b>	<b>-</b>

All subsidiaries were incorporated in Thailand, except Great Brands Limited which was incorporated in Hong Kong.



Sermsook Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 12 Other long-term investments

Other long-term investments as at 31 December 2015 and 2014, and dividend income from those investments for the years then ended, were as follows:

	Consolidated and Separate financial statements			
	Cost method		Dividend income	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b><i>Equity securities available for sale</i></b>				
Crown Seal Public Company Limited	54,474	54,474	1,851	1,851
<b><i>Non marketable equity securities</i></b>				
The Pet Company Limited	7,000	7,000	1,050	700
Bangkok Glass Public Company Limited	74,799	74,799	-	1,508
Petpack Company Limited	35,000	35,000	-	-
	<b>116,799</b>	<b>116,799</b>	<b>1,050</b>	<b>2,208</b>
<b>Total</b>	<b>171,273</b>	<b>171,273</b>	<b>2,901</b>	<b>4,059</b>

Movements during the years ended 31 December of other long-term investments were as follows:

	Consolidated and Separate financial statements	
	2015	2014
	<i>(in thousand Baht)</i>	
<b><i>Equity securities available for sale</i></b>		
At 1 January	54,474	57,647
Valuation adjustment	-	(3,173)
<b>At 31 December</b>	<b>54,474</b>	<b>54,474</b>

There were no movements on the non-marketable equity securities during the years ended 31 December 2015 and 2014.

Other long-term investments of the Group and the Company as at 31 December 2015 and 2014 were denominated entirely in Thai Baht.

### 13 Investment properties

	Consolidated and Separate financial statements		
	Land	Building	Total
	<i>(in thousand Baht)</i>		
<b>Fair value method</b>			
At 1 January 2014	229,566	2,583	232,149
Fair value adjustments	35,635	2,517	38,152
<b>At 31 December 2014 and 1 January 2015</b>	<b>265,201</b>	<b>5,100</b>	<b>270,301</b>
Fair value adjustments	6,581	-	6,581
<b>At 31 December 2015</b>	<b>271,782</b>	<b>5,100</b>	<b>276,882</b>

Serm Suk Public Company Limited and its Subsidiaries

## Notes to the financial statements

Investment properties were revalued as at 31 December 2015 and 2014 by Thai Property Appraisal Lynn Philips Co., Ltd., firms of independent professional valuers, at open market values on an existing use basis.

Investment properties comprise lands which are held for business operations in the future but not yet utilised and land and building that are leased to third parties for a period of three years.

### Measurement of fair value

#### *Fair value hierarchy*

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on an annual basis.

The fair value measurement for investment property of Baht 276.88 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

#### *Level 3 fair value*

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	<i>(in thousand Baht)</i>
Balance at 1 January 2015	270,301
<b>Gain included in "other income"</b>	
Changes in fair value (unrealised)	6,581
<b>Balance at 31 December 2015</b>	<b>276,882</b>

#### *Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Market Approach	<ul style="list-style-type: none"> <li>• Asking price of comparable property</li> <li>• Source of data used in valuation</li> </ul>



## Notes to the financial statements

## 14 Property, plant and equipment

	Land		Buildings, warehouses and improvement	Consolidated financial statements					Assets under construction and installation	Total
	Historical cost	Surplus on revaluation		Machinery, equipment and tools	Vehicles (in thousand Baht)	Furniture and office equipment	Plastic pallets	Container		
<b>Cost/revaluation</b>										
At 1 January 2014	486,133	4,294,736	2,280,469	5,637,134	1,821,887	288,739	332,284	1,566,906	412,383	21,039,152
Additions	-	-	14,817	39,018	5,457	37,919	21,120	210,170	392,585	851,364
Transfers	-	-	115,735	166,775	2,835	658	-	-	(288,254)	-
Transfer to non-current assets held for sale	(5,334)	(1,275,946)	(45,257)	-	-	-	-	-	-	(1,326,537)
Disposals	-	-	(228)	(17,448)	(53,301)	(5,897)	(1,003)	(29,237)	-	(146,935)
At 31 December 2014 and 1 January 2015	480,799	3,018,790	2,365,536	5,825,479	1,776,878	321,419	352,401	1,747,839	516,714	20,417,044
Additions	-	-	20,248	85,901	7,814	12,836	3,200	16,056	183,691	453,095
Transfers	-	-	172,199	341,262	861	(12,618)	-	-	(518,609)	-
Disposals	-	-	-	(21,555)	(42,780)	(4,308)	-	(71,904)	-	(194,319)
At 31 December 2015	480,799	3,018,790	2,557,983	6,231,087	1,742,773	317,329	355,601	1,691,991	121,014	20,675,820

## Notes to the financial statements

**Depreciation and****Impairment losses**

At 1 January 2014

Depreciation charge

for the year

Transfers

Transfer to non-current

assets held for sale

Disposals

At 31 December 2014

and 1 January 2015

Depreciation charge

for the year

Loss on impairment

Transfers

Disposals

At 31 December 2015

Allowance for loss of

marketing promotion

equipments

At 1 January 2014

At 31 December 2014

and 1 January 2015

At 31 December 2015

**Consolidated financial statements***(in thousand Baht)*

	Land	Buildings, warehouses and improvement	Condo-miniums	Machinery, equipment and tools	Vehicles	Furniture and office equipment	Plastic pellets	Container	Marketing promotion equipments	Assets under construction and installation	Total
	Historical cost	Surplus on revaluation									
-	-	-	1,190,761	3,958,196	1,485,852	248,466	322,377	21,269	3,495,690	-	10,851,540
-	-	79,223	3,847	272,701	61,454	20,651	6,610	120,960	113,931	-	679,377
-	-	-	-	32	-	17	-	-	(49)	-	-
-	-	(36,032)	(228)	-	-	-	-	-	-	-	(36,032)
-	-	-	-	(16,095)	(52,659)	(5,822)	(1,003)	(23,390)	(39,818)	-	(139,015)
-	-	-	1,233,724	4,214,834	1,494,647	263,312	327,984	118,839	3,569,754	-	11,355,870
-	-	88,111	3,514	303,225	56,897	22,205	8,490	122,503	112,813	-	717,958
-	-	-	-	-	-	-	-	65,125	-	-	65,125
-	-	36	-	-	-	(201)	-	-	165	-	-
-	-	-	(21,344)	(38,786)	(4,305)	(42,636)	(53,763)	-	(160,834)	-	(160,834)
-	-	1,322,071	4,496,715	1,512,758	281,011	336,474	263,831	3,628,969	11,978,119	-	11,978,119
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	5,330	-	5,330
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	5,330	-	5,330
-	-	-	-	-	-	-	-	-	5,330	-	5,330



## Notes to the financial statements

	Land		Buildings, warehouses and improvement	Condo-miniums	Machinery, equipment and tools	Consolidated financial statements				Plastic pallets	Container	Marketing promotion equipments	Assets under construction and installation	Total
	Historical cost	Surplus on revaluation				Vehicles	Furniture and office equipment	(in thousand Baht)						
<i>Net book value</i>														
At 1 January 2014	486,133	4,294,736	1,089,708	42,554	1,678,938	336,035	40,273		9,907	1,545,637	245,978	412,383	10,182,282	
At 31 December 2014														
and 1 January 2015	480,799	3,018,790	1,131,812	39,067	1,610,645	282,231	58,107		24,417	1,629,000	264,262	516,714	9,055,844	
At 31 December 2015	480,799	3,018,790	1,235,912	35,993	1,734,372	230,015	36,318		19,127	1,428,160	351,871	121,014	8,692,371	

## Notes to the financial statements

	Separate financial statements									
	Land	Buildings, warehouses and improvement	Condo-miniums	Machinery, equipment and tools	Vehicles	Furniture and office equipment	Plastic pallets	Container	Marketing and installation	Assets under construction and installation
	Historical cost	Surplus on revaluation								Total
<b>Cost/revaluation</b>										
At 1 January 2014	361,630	4,174,712	171,483	5,094,389	1,811,838	279,571	308,424	1,535,147	3,746,998	407,781
Additions	-	-	-	35,427	4,441	37,471	21,120	210,170	130,278	379,568
Transfers	-	-	360	151,483	2,835	658	-	-	1,891	(272,139)
Transfer to non-current assets held for sale	(5,334)	(1,275,946)	-	-	-	-	-	-	-	-
Disposals	-	-	-	(16,553)	(50,136)	(5,880)	(1,003)	(29,105)	(39,821)	-
At 31 December 2014	356,296	2,898,766	171,843	5,264,737	1,768,978	311,820	328,541	1,716,212	3,839,346	515,210
At 1 January 2015	356,296	2,898,766	440	74,567	7,684	12,454	3,200	16,056	183,691	117,719
Additions	-	-	-	337,651	861	(12,618)	-	-	16,905	(514,160)
Transfers	-	-	-	(21,555)	(42,649)	(4,308)	-	(71,871)	(53,772)	-
Disposals	-	-	-	5,655,400	1,734,874	307,348	331,741	1,660,397	3,986,170	118,769
At 31 December 2015	356,296	2,898,766	172,283	5,655,400	1,734,874	307,348	331,741	1,660,397	3,986,170	118,769
At 31 December 2015	356,296	2,898,766	172,283	5,655,400	1,734,874	307,348	331,741	1,660,397	3,986,170	118,769



## Notes to the financial statements

	Separate financial statements											Assets under construction and installation	Total
	Historical cost	Land	Buildings, warehouses and improvement	Condominiums	Machinery, equipment and tools	Vehicles	Furniture and office equipment	Plastic pallets	Container	Marketing promotion equipments			
		Surplus on revaluation											
<i>(in thousand Baht)</i>													
<b>Depreciation and impairment losses</b>													
At 1 January 2014	-	-	1,031,767	128,929	3,552,314	1,477,609	240,858	298,518	21,269	3,495,690	-	10,246,954	
Depreciation charge for the year	-	-	64,066	3,847	238,182	60,415	20,147	6,610	120,854	113,931	-	628,052	
Transfers	-	-	-	-	32	-	17	-	-	(49)	-	-	
Transfer to non-current assets held for sale	-	-	(36,032)	-	-	-	-	-	-	-	-	(36,032)	
Disposals	-	-	(228)	-	(15,213)	(49,493)	(5,804)	(1,003)	(23,284)	(39,818)	-	(134,843)	
<b>At 31 December 2014</b>													
<b>and 1 January 2015</b>	-	-	1,059,573	132,776	3,775,315	1,488,531	255,218	304,125	118,839	3,569,754	-	10,704,131	
Depreciation charge for the year	-	-	72,866	3,514	269,483	56,251	21,617	8,490	120,418	112,813	-	665,452	
Loss on impairment	-	-	-	-	-	-	-	-	65,125	-	-	65,125	
Transfers	-	-	36	-	-	-	(201)	-	-	165	-	-	
Disposals	-	-	-	-	(21,344)	(38,786)	(4,305)	-	(42,635)	(53,762)	-	(160,832)	
<b>At 31 December 2015</b>	-	-	1,132,475	136,290	4,023,454	1,595,996	272,329	312,615	261,747	3,628,970	-	11,273,876	
<b>Allowance for loss of marketing promotion equipments</b>													
At 1 January 2014	-	-	-	-	-	-	-	-	-	5,330	-	5,330	
At 31 December 2014	-	-	-	-	-	-	-	-	-	-	-	-	
<b>and 1 January 2015</b>	-	-	-	-	-	-	-	-	-	5,330	-	5,330	
<b>At 31 December 2015</b>	-	-	-	-	-	-	-	-	-	5,330	-	5,330	

## Notes to the financial statements

Net book value	Land		Buildings, warehouses and improvement	Condo-miniums	Machinery, equipment and tools	Separate financial statements			Assets under construction and installation	Total
	Historical cost	Surplus on revaluation				Vehicles	Furniture and office equipment	Plastic pallets		
At 1 January 2014	361,630	4,174,712	950,568	42,554	1,542,066	334,229	38,713	9,906	1,513,878	9,621,955
At 31 December 2014										
and 1 January 2015	356,296	2,898,766	1,003,232	39,067	1,489,422	280,447	56,602	24,416	1,597,373	8,525,093
At 31 December 2015	356,296	2,898,766	1,117,873	35,993	1,631,946	228,878	35,019	19,126	1,398,650	8,193,186

(in thousand Baht)



## Notes to the financial statements

The gross amount of the Group's fully depreciated buildings and equipments that was still in use as at 31 December are summarised as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Buildings and equipment	<u>8,956,992</u>	<u>8,482,895</u>	<u>8,642,834</u>	<u>8,185,701</u>

### Measurement of fair value

#### *Fair value hierarchy*

The fair value of property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers regularly provide the fair value of the Group's investment property portfolio.

The fair value measurement for property in consolidated financial statements of Baht 3,500 million and separate financial statement of amount 3,255 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

#### *Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Sales Comparison Approach	<ul style="list-style-type: none"> <li>Asking price of comparable property</li> <li>Source of data used in valuation</li> </ul>

## 15 Intangible assets

	Consolidated financial statements		
	Trademark	Software licenses	Total
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 January 2014	5,188	64,832	70,020
Additions	-	3,796	3,796
Transfers in	-	990	990
Disposals	(3,188)	-	(3,188)
<b>At 31 December 2014 and 1 January 2015</b>	<b>2,000</b>	<b>69,618</b>	<b>71,618</b>
Additions	-	3,088	3,088
Disposals	-	(28,643)	(28,643)
<b>At 31 December 2015</b>	<b>2,000</b>	<b>44,063</b>	<b>46,063</b>

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

	Consolidated financial statements		
	Trademark	Software licenses	Total
	<i>(in thousand Baht)</i>		
<b>Amortisation</b>			
At 1 January 2014	419	48,283	48,702
Amortisation for the year	-	5,287	5,287
Disposals	(419)	-	(419)
<b>At 31 December 2014 and 1 January 2015</b>	<b>-</b>	<b>53,570</b>	<b>53,570</b>
Amortisation for the year	-	3,216	3,216
Disposals	-	(28,642)	(28,642)
<b>At 31 December 2015</b>	<b>-</b>	<b>28,144</b>	<b>28,144</b>
<b>Net book value</b>			
At 1 January 2014	4,769	16,549	21,318
At 31 December 2014 and 1 January 2015	2,000	16,048	18,048
At 31 December 2015	2,000	15,919	17,919
	<b>Separate financial statements</b>		
		Software licenses	
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 January 2014		63,656	
Additions		3,796	
Transfers in		990	
<b>At 31 December 2014 and 1 January 2015</b>		<b>68,442</b>	
Additions		3,014	
Disposal		(28,643)	
<b>At 31 December 2015</b>		<b>42,813</b>	
<b>Amortisation</b>			
At 1 January 2014		47,152	
Amortisation for the year		5,273	
<b>At 31 December 2014 and 1 January 2015</b>		<b>52,425</b>	
Amortisation for the year		3,195	
Disposal		(28,643)	
<b>At 31 December 2015</b>		<b>26,977</b>	
<b>Net book value</b>			
At 1 January 2014		16,504	
At 31 December 2014 and 1 January 2015		16,017	
At 31 December 2015		15,836	



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 16 Deferred tax

Deferred tax assets and liabilities as at 31 December were as follows:

	Consolidated financial statements			
	Assets		Liabilities	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Total	697,952	828,787	(730,555)	(971,188)
Set off of tax	(689,694)	(818,353)	689,694	818,353
<b>Net deferred tax assets (liabilities)</b>	<b>8,258</b>	<b>10,434</b>	<b>(40,861)</b>	<b>(152,835)</b>

	Separate financial statements			
	Assets		Liabilities	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Total	680,984	810,736	(706,549)	(947,182)
Set off of tax	(680,984)	(810,736)	680,984	810,736
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>(25,565)</b>	<b>(136,446)</b>

Movements in total deferred tax assets and liabilities during the year were as follows:

	Consolidated financial statements			
		(Charged) / Credited to:		
	At 1 January 2015	Profit or loss (Note 29)	Other comprehensive income	At 31 December 2015
	(in thousand Baht)			
<i>Deferred tax assets</i>				
Inventories	40,227	8,741	-	48,968
Employee benefit obligations	209,548	7,883	(1,906)	215,525
Loss carry forward	564,808	89,665	(255,189)	399,284
Others	14,204	19,971	-	34,175
<b>Total</b>	<b>828,787</b>	<b>126,260</b>	<b>(257,095)</b>	<b>697,952</b>

	Consolidated financial statements			
		(Charged) / Credited to:		
	At 1 January 2015	Profit or loss (Note 29)	Other comprehensive income	At 31 December 2015
		(in thousand Baht)		
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(856,828)	-	255,189	(601,639)
Investment properties	(16,673)	(1,316)	-	(17,989)
Long-term investments	(4,548)	-	-	(4,548)
Others	(93,139)	(13,240)	-	(106,379)
<b>Total</b>	<b>(971,188)</b>	<b>(14,556)</b>	<b>255,189</b>	<b>(730,555)</b>
<b>Net</b>	<b>(142,401)</b>	<b>111,704</b>	<b>(1,906)</b>	<b>(32,603)</b>

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

	Consolidated financial statements (Charged) / Credited to:		
	At 1 January 2014	Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income
			At 31 December 2014
<b>Deferred tax assets</b>			
Inventories	17,014	23,213	-
Employee benefit obligations	204,929	13,740	(9,121)
Loss carry forward	250,404	314,404	-
Others	10,929	3,275	-
<b>Total</b>	<b>483,276</b>	<b>354,632</b>	<b>(9,121)</b>
			<b>828,787</b>
	Consolidated financial statements (Charged) / Credited to:		
	At 1 January 2014	Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income
			At 31 December 2014
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(856,828)	-	-
Investment properties	(9,042)	(7,631)	-
Long-term investments	(5,183)	-	635
Others	(71,712)	(21,427)	-
<b>Total</b>	<b>(942,765)</b>	<b>(29,058)</b>	<b>635</b>
			<b>(971,188)</b>
<b>Net</b>	<b>(459,489)</b>	<b>325,574</b>	<b>(8,486)</b>
			<b>(142,401)</b>
	Separate financial statements (Charged) / Credited to:		
	At 1 January 2015	Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income
			At 31 December 2015
<b>Deferred tax assets</b>			
Inventories	38,034	7,389	-
Employee benefit obligations	208,475	7,687	(1,914)
Loss carry forward	550,023	92,837	(255,189)
Others	14,204	19,438	-
<b>Total</b>	<b>810,736</b>	<b>127,351</b>	<b>(257,103)</b>
			<b>680,984</b>



## Notes to the financial statements

	At 1 January 2015	Separate financial statements (Charged) / Credited to:		At 31 December 2015
		Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(832,822)	-	255,189	(577,633)
Investment properties	(16,673)	(1,316)	-	(17,989)
Long-term investments	(4,548)	-	-	(4,578)
Others	(93,139)	(13,240)	-	(106,379)
<b>Total</b>	<b>(947,182)</b>	<b>(14,556)</b>	<b>255,189</b>	<b>(706,549)</b>
<b>Net</b>	<b>(136,446)</b>	<b>112,795</b>	<b>(1,914)</b>	<b>(25,565)</b>

	At 1 January 2014	Separate financial statements (Charged) / Credited to:		At 31 December 2014
		Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax assets</b>				
Inventories	16,459	21,575	-	38,034
Employee benefit obligations	204,138	13,572	(9,235)	208,475
Loss carry forward	240,282	309,741	-	550,023
Others	10,929	3,275	-	14,204
<b>Total</b>	<b>471,808</b>	<b>348,163</b>	<b>(9,235)</b>	<b>810,736</b>

	At 1 January 2014	Separate financial statements (Charged) / Credited to:		At 31 December 2014
		Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(832,822)	-	-	(832,822)
Investment properties	(9,042)	(7,631)	-	(16,673)
Long-term investments	(5,183)	-	635	(4,548)
Others	(71,712)	(21,427)	-	(93,139)
<b>Total</b>	<b>(918,759)</b>	<b>(29,058)</b>	<b>635</b>	<b>(947,182)</b>
<b>Net</b>	<b>(446,951)</b>	<b>319,105</b>	<b>(8,600)</b>	<b>(136,446)</b>

The tax losses expire in 2018 and 2019. The Group has recognised tax losses as deferred tax assets because the Group considers that it is probable that future taxable profit will be available against which such losses can be used. These were following the Group's business plan to increase the Group's profit from operating activities in the future.

## Notes to the financial statements

### 17 Short-term loans from financial institutions

As at 31 December 2015, the Group has short-term loan facilities from several financial institutions totalling Baht 4,065 million with interest rate quoted by financial institutions (2014: Baht 3,565 million). In 2015, none of the short-term loan facilities from financial institutions had been drawn down (2014: Baht 1,000 million).

### 18 Trade accounts payable

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Related parties	4	536,729	474,055	841,884	744,783
Other parties		385,327	401,450	351,907	381,382
<b>Total</b>		<b>922,056</b>	<b>875,505</b>	<b>1,193,791</b>	<b>1,126,165</b>

Trade accounts payable of the Group and the Company as at 31 December 2015 and 2014 were denominated entirely in Thai Baht.

### 19 Other payables

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Other payables	270,839	410,063	259,406	399,838
Accrued personnel expense	304,515	302,825	300,377	298,162
Accrued marketing expense	85,506	163,630	85,506	163,630
Accrued utility expense	29,279	31,360	28,587	30,989
Others	65,599	88,112	53,948	78,673
<b>Total</b>	<b>755,738</b>	<b>995,990</b>	<b>727,824</b>	<b>971,292</b>

The currency denomination of other payables as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Thai Baht (THB)	754,207	968,467	726,293	943,769
Euro (EUR)	944	25,855	944	25,855
United States Dollars (USD)	587	-	587	-
Malaysian Ringgit (MYR)	-	1,668	-	1,668
<b>Total</b>	<b>755,738</b>	<b>995,990</b>	<b>727,824</b>	<b>971,292</b>



Serm Suk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 20 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b>Statement of financial position</b>				
<b>obligations for:</b>				
Short-term employee benefit				
- accumulated annual leave	10,955	11,005	10,924	10,978
Long-term employee benefit				
- long service award	45,251	50,077	45,174	49,995
Post-employment benefit				
- retirement benefit	1,022,554	987,606	1,015,144	981,403
<b>Total</b>	<b>1,078,760</b>	<b>1,048,688</b>	<b>1,071,242</b>	<b>1,042,376</b>
<b>Statement of financial position</b>				
<b>Current</b>				
Accrued expenses	133,961	103,035	133,930	103,009
<b>Non-current</b>				
Employee benefit obligations	944,799	945,653	937,312	939,367
<b>Total</b>	<b>1,078,760</b>	<b>1,048,688</b>	<b>1,071,242</b>	<b>1,042,376</b>
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b>Year ended 31 December</b>				
<b>Statement of comprehensive income:</b>				
<b>Recognised in profit or loss:</b>				
Short-term employee benefit				
- accumulated annual leave	(49)	1,734	(54)	1,707
Post-employment benefit				
- retirement benefit	77,552	86,714	76,472	85,803
Long-term employee benefits				
- long service award	6,576	7,524	6,564	7,514
- Actuarial (gains) losses	(1,659)	261	(1,643)	235
<b>Total</b>	<b>82,420</b>	<b>96,233</b>	<b>81,339</b>	<b>95,259</b>
<b>Recognised in other comprehensive income:</b>				
Actuarial gains recognised in the year	(9,443)	(45,428)	(9,570)	(46,173)
Cumulative actuarial gains recognised	(290,489)	(281,046)	(290,672)	(281,102)

#### Employee benefit - Retirement benefit

The Group and the Company operate defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

The statement of financial position obligation was determined as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Present value of unfunded obligations	<u>1,022,554</u>	<u>987,606</u>	<u>1,015,144</u>	<u>981,403</u>

Movement in the present value of the defined benefit obligations:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	987,606	964,005	981,403	959,458
Benefits paid by the plan	<u>(33,162)</u>	<u>(17,685)</u>	<u>(33,162)</u>	<u>(17,685)</u>
	<u>954,444</u>	<u>946,320</u>	<u>948,241</u>	<u>941,773</u>
<b>Include in profit or loss:</b>				
Current service costs	50,530	49,398	49,637	48,681
Interest on obligation	<u>27,022</u>	<u>37,316</u>	<u>26,835</u>	<u>37,122</u>
	<u>77,552</u>	<u>86,714</u>	<u>76,472</u>	<u>85,803</u>
<b>Included in other comprehensive income</b>				
Actuarial gain	<u>(9,443)</u>	<u>(45,428)</u>	<u>(9,570)</u>	<u>(46,173)</u>
<b>Defined benefit obligations at 31 December</b>	<u><b>1,022,554</b></u>	<u><b>987,606</b></u>	<u><b>1,015,144</b></u>	<u><b>981,403</b></u>

Actuarial gains and losses recognised in other comprehensive income arising from:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Financial assumptions	21,374	40,768	21,151	39,865
Experience adjustment	<u>(30,817)</u>	<u>(86,196)</u>	<u>(30,721)</u>	<u>(86,038)</u>
<b>Total</b>	<u><b>(9,443)</b></u>	<u><b>(45,428)</b></u>	<u><b>(9,570)</b></u>	<u><b>(46,173)</b></u>

### Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>%</i>			
Discount rate	2.75	3.00	2.75	3.00
Future salary growth	5.00	5.00	5.00	5.00



## Notes to the financial statements

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Consolidated financial statements		Separate financial statements	
	(in million Baht)			
Defined benefit obligation 31 December 2015	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(42,020)	45,069	(41,582)	44,590
Future salary growth (1% movement)	154,513	(104,784)	153,465	(103,892)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

### 21 Share capital

	Par value per share (in Baht)	2015		2014	
		Number	Baht	Number	Baht
		(thousand shares / thousand Baht)			
<i>Authorised</i>					
At 1 January					
- ordinary shares	1	265,900	265,900	265,900	265,900
At 31 December					
- ordinary shares	1	265,900	265,900	265,900	265,900
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	1	265,900	265,900	265,900	265,900
At 31 December					
- ordinary shares	1	265,900	265,900	265,900	265,900

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

### 22 Reserves

Reserves comprise:

#### Appropriations of profit and/or retained earnings

##### Legal reserve

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to

## Notes to the financial statements

a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

### General reserve

The general reserve comprises amounts appropriated from profit for expansion of the Company's operations.

### Other components of equity

#### Currency translation differences

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments account within equity comprises the cumulative net changes in the fair value of available-for-sale investments until the investments are derecognised or impaired.

#### Valuation surplus

The valuation surplus account within equity comprises the cumulative net change in the valuation of land included in the financial statements at valuation until such land is sold or otherwise disposed of.

Valuation surplus is not available for dividend distribution.

## 23 Segment information

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Segment 1     Carbonated soft drink: Produce and distribute soft drinks
- Segment 2     Non-Carbonated soft drink: Produce and distribute drinking water, mixers, and other beverages, including as distributor of energy drinks and tea

None of the other operations segments meets the quantitative thresholds for determining reportable segments in 2015 or 2014.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



Serm Suk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### Information about reportable segments

	Carbonated soft drink		Non-Carbonated soft drink		Consolidated financial statements	
	2015	2014	2015	2014	2015	2014
	<i>(in million Baht)</i>					
External revenue	4,208	4,671	6,307	5,714	10,515	10,385
<b>Total revenue</b>	<b>4,208</b>	<b>4,671</b>	<b>6,307</b>	<b>5,714</b>	<b>10,515</b>	<b>10,385</b>
Segment profit before income tax	451	1,144	1,731	1,419	2,182	2,563
Depreciation and amortisation recorded in Selling and Administrative expenses	182	168	127	75	309	243
Selling expenses	757	1,727	1,283	1,184	2,040	2,911

### Reconciliations of reportable segment revenues, profit or loss, and other material items

	2015	2014
	<i>(in million Baht)</i>	
<b>Profit or loss</b>		
Profit for reportable segments	2,182	2,563
Depreciation and amortisation recorded in Selling and Administrative expenses	(309)	(243)
Selling expenses	(2,040)	(2,911)
	<b>(167)</b>	<b>(591)</b>
Unallocated revenue and expenses		
- Other income	702	1,413
- Administrative expenses	(1,038)	(973)
- Finance costs	(11)	(39)
Share of profit of an associate, net of income tax	106	161
<b>Consolidated loss before income tax</b>	<b>(408)</b>	<b>(29)</b>

### Geographical segments

The Group is managed and operates principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 24 Other income

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Consultancy service income		130,000	-	130,000	-
Sale of scrap		28,490	30,368	27,262	28,590
Gain on disposal of plant equipment and intangible assets		13,542	19,995	13,542	19,366
Fair value adjustments on investment properties	13	6,581	38,152	6,581	38,152
Interest income		3,298	2,284	6,722	9,125
Dividend income	10, 12	2,901	4,059	56,901	62,079
Others		71,689	38,085	63,996	38,054
<b>Total</b>		<b>256,501</b>	<b>132,943</b>	<b>305,004</b>	<b>195,366</b>

### 25 Selling expenses

		Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Personnel expenses		1,066,769	1,116,447	1,065,883	1,115,275
Distribution		266,138	266,300	256,140	253,297
Marketing expenses		221,385	1,042,249	221,385	1,042,249
Depreciation and amortisation		187,183	180,459	186,988	180,347
Fuel		178,191	210,410	178,191	210,410
Others		307,364	275,417	303,903	274,619
<b>Total</b>		<b>2,227,030</b>	<b>3,091,282</b>	<b>2,212,490</b>	<b>3,076,197</b>

### 26 Administrative expenses

		Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Personnel expenses		476,742	483,597	465,015	467,140
Depreciation and amortisation		122,087	173,885	120,034	171,960
Management benefit expenses		93,532	80,820	93,532	80,820
Fuel		83,460	104,185	83,460	103,911
Others		383,285	303,161	379,864	280,310
<b>Total</b>		<b>1,159,106</b>	<b>1,145,648</b>	<b>1,141,905</b>	<b>1,104,141</b>



## Notes to the financial statements

### 27 Employee benefit expenses

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Salaries and wages		1,328,466	1,316,565	1,291,200	1,271,200
Overtime and allowance expense		133,645	141,656	127,217	134,964
Bonus		123,790	169,302	120,171	165,253
Welfare expense		64,185	71,227	62,357	68,576
Pension costs - defined benefit plans	20	77,552	86,714	76,472	85,803
Pension costs - defined contribution plans		91,250	82,696	89,906	80,963
Directors' remunerations	4	7,438	9,962	7,438	9,962
Others		178,303	174,524	163,788	171,746
<b>Total</b>		<b>2,004,629</b>	<b>2,052,646</b>	<b>1,938,549</b>	<b>1,988,467</b>

#### Defined benefit plans

Details of the defined benefit plans are given in note 20.

#### Defined contribution plans

The Group has a provident fund for those employees who indicate their willingness to join. Contributions are made monthly by the employees at 3% of their basic salaries and by the Group at from 5% to 12% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

The employees who do not join the provident fund managed by the financial institution may still subscribe to the initial provident fund which is managed by the Company. The Company's contribution is treated as an expense in the year when the service is provided.

### 28 Expenses by nature

The statements of income included an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Changes in inventories of finished goods and work in progress		1,932,285	1,757,252	2,420,476	2,286,636
Raw materials and consumables used		4,600,220	4,215,846	4,340,702	3,940,138
Employee benefit expenses	27	2,004,629	2,052,646	1,938,549	1,988,467
Depreciation and amortisation		721,245	684,033	669,523	632,816
Fuel		282,044	315,746	262,860	315,395
Distribution	25	266,138	266,300	256,140	253,297
Marketing expenses	25	221,385	1,042,249	221,385	1,042,249
Others		1,702,069	1,654,620	1,622,505	1,623,873
<b>Total expenses</b>		<b>11,730,015</b>	<b>11,988,692</b>	<b>11,732,140</b>	<b>12,082,871</b>

Sermasuk Public Company Limited and Its Subsidiaries

## Notes to the financial statements

### 29 Income tax benefit

#### *Income tax recognised in profit or loss*

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		(in thousand Baht)			
<b>Current tax expense</b>					
Current year		9,031	8,783	-	-
<b>Deferred tax expense</b>	16				
Movements in temporary differences		(111,704)	(325,574)	(112,795)	(319,105)
<b>Income tax benefit</b>		<b>(102,673)</b>	<b>(316,791)</b>	<b>(112,795)</b>	<b>(319,105)</b>

#### *Income tax recognised in other comprehensive income*

	Consolidated financial statements					
	2015			2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	(in thousand Baht)					
Foreign currency translation differences for foreign operations	102	-	102	20,224	-	20,224
Net change in fair value of available-for-sale investments	-	-	-	(3,173)	635	(2,538)
Defined benefit plan actuarial gains	9,443	(1,906)	7,537	45,428	(9,121)	36,307
<b>Total</b>	<b>9,545</b>	<b>(1,906)</b>	<b>7,639</b>	<b>62,749</b>	<b>(8,486)</b>	<b>53,993</b>

	Separate financial statements					
	2015			2014		
	Before tax	Tax expense	Net of tax <i>(in thousand Baht)</i>	Before tax	Tax (expense) benefit	Net of tax
Net change in fair value of available-for-sale investments	-	-	-	(3,173)	635	(2,538)
Defined benefit plan actuarial gains	9,570	(1,914)	7,656	46,173	(9,235)	36,938
<b>Total</b>	<b>9,570</b>	<b>(1,914)</b>	<b>7,656</b>	<b>43,000</b>	<b>(8,600)</b>	<b>34,400</b>



## Notes to the financial statements

### Reconciliation of effective tax rate

	Consolidated financial statements			
	2015		2014	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Loss before total income tax expense		(407,544)		(28,707)
Income tax using the Thai corporation tax rate	20.00	(81,509)	20.00	(5,741)
Income not subject to tax		(22,552)		(313,379)
Expenses for tax incentives		(4,160)		(2,291)
Expenses not deductible for tax purposes		5,548		4,620
<b>Total</b>	<b>(25.19)</b>	<b>(102,673)</b>	<b>(1,103.53)</b>	<b>(316,791)</b>

### Reconciliation of effective tax rate

	Separate financial statements			
	2015		2014	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Loss before total income tax expense		(513,208)		(1,521,270)
Income tax using the Thai corporation tax rate	20.00	(102,641)	20.00	(304,254)
Income not subject to tax		(11,380)		(15,987)
Expenses for tax incentives		(4,159)		(2,289)
Expenses not deductible for tax purposes		5,385		3,425
<b>Total</b>	<b>(21.98)</b>	<b>(112,795)</b>	<b>(20.98)</b>	<b>(319,105)</b>

### Income tax reduction

Royal Decree No. 577 B.E. 2557 dated 10 November 2014 grants the reduction of the corporate income tax rate to 20% of net taxable profit for the accounting period 2015 which begins on or after 1 January 2015.

On 22 January 2016, the National Legislative Assembly has approved a reduction of the statutory corporate income tax rate from 30% to 20% of net taxable profit for the accounting period which begins on or after 1 January 2016.

The Group has applied the reduced tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2015 and 2014 in accordance with the clarification issued by the FAP in 2012.

## 30 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the years ended 31 December 2015 and 2014 were based on the profit (loss) for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

## Notes to the financial statements

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	
	<i>(in thousand Baht/thousand shares)</i>			
Profit (loss) attributable to ordinary shareholders of the Company (basic)	<u>(304,871)</u>	<u>288,084</u>	<u>(400,413)</u>	<u>(1,202,165)</u>
Number of ordinary shares outstanding	<u>265,900</u>	<u>265,900</u>	<u>265,900</u>	<u>265,900</u>
Earnings (loss) per share (basic) <i>(in Baht)</i>	<u>(1.15)</u>	<u>1.08</u>	<u>(1.51)</u>	<u>(4.52)</u>

### 31 Financial instruments

#### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### *Capital management*

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings and interest-bearing financial liabilities (see Note 4, 17). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates.

The effective interest rates of loans receivable as at 31 December and the periods in which the loans receivable and debt securities mature or re-price were as follows:

	Effective interest rate (% per annum)	Consolidated financial statements		
		Within 1 year	After 5 years <i>(in thousand Baht)</i>	Total
<b>2015</b>				
<b>Non-current</b>				
Long-term loan to a related party	4.56	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<b>2014</b>				
<b>Non-current</b>				
Long-term loan to a related party	4.50	<u>-</u>	<u>3,000</u>	<u>3,000</u>



## Notes to the financial statements

	Effective interest rate (% per annum)	Separate financial statements		
		Within 1 year	After 5 years (in thousand Baht)	Total
<b>2015</b>				
<b>Current</b>				
Short-term loan to a related party	3.10	125,000	-	125,000
<b>Non-current</b>				
Long-term loan to a related party	4.56	-	3,000	3,000
<b>Total</b>		<u>125,000</u>	<u>3,000</u>	<u>128,000</u>
<b>2014</b>				
<b>Current</b>				
Short-term loans to related parties	3.10	125,000	-	125,000
<b>Non-current</b>				
Long-term loan to a related party	4.50	-	3,000	3,000
<b>Total</b>		<u>125,000</u>	<u>3,000</u>	<u>128,000</u>

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

	Effective interest rate (% per annum)	Consolidated and separate financial statements
		Within 1 year (in thousand Baht)
<b>2015</b>		
<b>Current</b>		
Short-term loans from financial institutions	-	-
<b>2014</b>		
<b>Current</b>		
Short-term loans from financial institutions	2.45 - 3.16	<u>1,000,000</u>

### Foreign currency risk

The Group is exposed to foreign currency risk relating to sales of goods and purchases of assets which are denominated in foreign currencies. The Group expects that changes in exchange rates for assets and liabilities denominated in foreign currencies in the statement of financial position will not materially affect its financial position and results of operations since the Group does not have any foreign currency loans and most of the spending and purchases of raw and packing materials are transacted in local currency. Exchange rate risks are limited only to those related to imported spare parts and equipments.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

		Consolidated and Separate financial statements	
	Note	2015	2014
		(in thousand Baht)	
<b>United States Dollars</b>			
Trade accounts receivable	6	-	280
Other payables	19	(587)	-
<b>Gross balance sheet exposure</b>		<b>(587)</b>	<b>280</b>
Estimated forecast purchases of assets		-	(719)
<b>Total exposure</b>		<b>(587)</b>	<b>(439)</b>
<b>Euro</b>			
Other payables	19	(944)	(25,855)
<b>Gross balance sheet exposure</b>		<b>(944)</b>	<b>(25,855)</b>
Estimated forecast purchases of assets		-	(1,183)
<b>Total exposure</b>		<b>(944)</b>	<b>(27,038)</b>
<b>Malaysian Ringgit</b>			
Other payables	19	-	(1,668)
<b>Gross balance sheet exposure</b>		<b>-</b>	<b>(1,668)</b>

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		(in thousand Baht)			
<b>Hong Kong Dollars</b>					
Cash and cash equivalents	5	33,456	5,606	-	-
Loan from a related party	4	-	-	(1,530,968)	(1,530,968)
Other payables to related party	4	-	-	-	(29,753)
<b>Gross balance sheet exposure</b>		<b>33,456</b>	<b>5,606</b>	<b>(1,530,968)</b>	<b>(1,560,721)</b>

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

### Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.



Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Fair values of financial assets and liabilities*

Fair values of financial assets and liabilities, together with the carrying values shown in the consolidated and separate statement of financial position at 31 December 2015 and 2014 were as follows:

	<b>Consolidated and Separate financial statements</b>	
	Carrying amount	Fair value Level 1
	<i>(in thousand Baht)</i>	
<b>Non-current</b>		
Equity securities available for sale	54,474	54,474

### **Financial instruments carried at fair value**

#### *Fair value hierarchy*

The table above analyses recurring fair value measurements for financial assets. The fair value measurement of equity securities available for sale was determined to be Level 1 under the fair value hierarchy based on the inputs to valuation techniques used.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

The fair value of trade accounts receivable, accounts receivable from related parties, other receivables and other current assets is taken to approximate the carrying value.

Other long-term investments, which are non-marketable equity securities, have their fair values approximate to their carrying value.

The fair value of trade accounts payable, other payables to related parties, other payables, accrued expenses, income tax payable and other current liabilities is taken to approximate the carrying value.

## 32 Commitments with non-related parties

	<b>Consolidate financial statements</b>		<b>Separate financial statements</b>	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b>Capital commitments</b>				
<i>Contracted but not provided for:</i>				
Buildings, warehouses and improvement	2,909	28,239	2,909	28,239
Machinery, equipment and tools	21,711	9,255	21,237	9,255
Intangible assets	4,875	-	2,625	-
<b>Total</b>	<b>29,495</b>	<b>37,494</b>	<b>26,771</b>	<b>37,494</b>

Sermasuk Public Company Limited and its Subsidiaries

## Notes to the financial statements

	Consolidate financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<b>Non-cancellable operating lease commitments</b>				
Within one year	49,828	50,858	48,191	50,407
After one year but within five years	78,862	117,559	76,040	116,789
After five years	74,156	78,132	74,156	78,132
<b>Total</b>	<b>202,846</b>	<b>246,549</b>	<b>198,387</b>	<b>245,328</b>

	Consolidate financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand)</i>			
<b>Other commitments</b>				
<b>Thai Baht</b>				
Unused letters of credit for goods and supplies	-	28,814	-	28,814
Bank guarantees	35,378	30,951	31,102	27,319
<b>Total</b>	<b>35,378</b>	<b>59,765</b>	<b>31,102</b>	<b>56,133</b>

### **Euro**

Unused letters of credit for assets	-	714	-	714
-------------------------------------	---	-----	---	-----

The Company entered into land, buildings, structure and other assets lease agreements for the Company's operation for periods from one year to thirty years and expiring in various periods up to December 2038.

### **Exclusive bottling appointment agreements**

The Company entered into an agreement with Pepsi Lipton International Ltd. ("the parties") to be appointed to bottle, sell and distribute bottled tea drink in Thailand. The Company has to comply with certain conditions contained in the agreement which was ended 30 September 2011, including a renewal option. Subsequently on 1 June 2012, the parties made an amendment to set the termination date on 31 December 2015. As at 31 December 2015, the parties made an amendment to extend the period of agreement another one year ended on 31 December 2016. The amendment is currently being reviewed and signed by the Company and the parties.

The Company entered into an agreement with Stoke-Van Camp, Inc. ("the parties") to be appointed to bottle, sell and distribute energy drink in Thailand. The Company has to comply with certain conditions contained in the agreement which was ended 30 June 2008, including a renewal option. Subsequently on 23 February 2015, the parties made an amendment to set the termination date on 31 December 2015. As at 31 December 2015, the parties made an amendment to extend the period of agreement ended on 31 August 2016. The amendment is currently being reviewed and signed by the Company and the parties.

### **Co-packing agreement**

A subsidiary entered into a "Co-packing agreement" with Pepsi Lipton International Ltd. and Pepsi-Cola (Thai) Trading Co., Ltd. "the parties" to produce bottled tea drink. The subsidiary has to comply with certain conditions contained in the agreement for a period of three years from 22 December 2005 to 21 December 2008 with renewal additional terms of three years each if not less than six months' prior written notice is given by any one party to the other as stipulated in the agreement. Subsequently, the parties made an amendment to set the termination date on 31 March 2015. The parties made an amendment to extend the period of agreement to end on 30 April 2016. The amendment is currently being reviewed and signed by the Company and the parties. However, the Company is currently complying with the conditions contained in the original agreement.



## Notes to the financial statements

### *Distribution agreement*

The Company entered into an agreement with Pepsi-Cola (Thai) Trading Co., Ltd. "the parties" to be appointed to distribute bottled tea solely in Thailand. The Company has to comply with certain conditions contained in the agreement for a period of three years including a renewal option. Subsequently, the parties made an amendment to set the termination date on 31 March 2015. The parties made an amendment to extend the period of agreement to end on 30 April 2016. The amendment is currently being reviewed and signed by the Company and the parties. However, the Company is currently complying with the conditions contained in the original agreement.

### 33 Credit facilities

As at 31 December 2015 the Group and the Company had unutilised credit facilities totalling Baht 9,336 million and Baht 9,286 million, respectively (2014: Baht 7,413 million and Baht 7,363 million, respectively).

### 34 Contingent liabilities

The Company had a contingent liability arising from a claim for compensation and unfair lay off of employees of Baht 8.28 million. The court case is pending judgment. However, the Company's fixed deposit of Baht 0.51 million has been pledged with the court.

In 2014, 45 employees who were laid off by the Company have filed lawsuits against the Company for unfair termination. The total amount of claim is approximately of Baht 46.99 million. Before filing the lawsuits, the employees requested the Pathumthani Provincial Labour Protection and Welfare Office to seek for additional compensation from the Company. The Pathumthani Provincial Labour Protection and Welfare Office informed that the Company has already complied with the Labour Protection Law. The court case is pending judgement.

### 35 Events after the reporting period

At the Board of Directors' meeting held on 24 February 2016, the Board of Directors agreed to propose to change its accounting period from 1 January to 31 December to 1 October to 30 September.

### 36 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2016, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates

## Notes to the financial statements

TFRS	Topic
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TAS 40 (revised 2015)	Investment Property
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2015)	Operating Segments
TFRS 10 (revised 2015)	Consolidated Financial Statements
TFRS 13 (revised 2015)	Fair Value Measurement
TSIC 15 (revised 2015)	Operating Leases – Incentives
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2015)	Customer Loyalty Programmes

The Group/Company has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

### 37 Reclassification of accounts

Certain accounts in the 2014 financial statements have been reclassified to conform to the presentation in the 2015 financial statements were as follows:

	2014					
	Consolidated Financial statements			Separate Financial statements		
	Before reclass.	Reclass.	After Reclass.	Before Reclass.	Reclass.	After Reclass.
	(in thousand Baht)					
<b>Statement of financial position</b>						
Inventories	2,328,355	(1,629,000)	699,355	2,216,145	(1,597,373)	618,772
Other current assets	169,149	(53,649)	115,500	144,305	(30,394)	113,911
Property, plant and equipment	7,426,844	1,629,000	9,055,844	6,927,721	1,597,373	8,525,094
Other non-current assets	17,633	53,649	71,282	17,599	30,394	47,993
		-			-	
<b>Statement of comprehensive income</b>						
Cost of sales of goods and rendering of services	7,822,291	(109,655)	7,712,636	7,973,062	(109,655)	7,863,407
Administrative expenses	1,035,993	109,655	1,145,648	994,486	109,655	1,104,141
		-			-	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business and consistent with parent company's classification.



## Management Discussion and Analysis: MD&A

### 13. Management Discussion and Analysis: MD&A

This discussion was prepared to enhance the understanding of Sermasuk Plc's Financial statements.

#### Overview

Currently, the Company operates under its new business plan utilizing its strong product distribution and delivery network to enhance steady and sustainable growth. The Company has the following four key business groups.

#### 1. Manufacturer and Distributor of drinking water

Drinking water and soda water under the "Crystal" trademark

#### 2. Manufacturer and Distributor of non-carbonated soft drinks

Ready-to-drink green tea in returnable bottles: Honey lemon flavor under the "Oishi" trademark

Ready-to-drink black tea in returnable bottles: lemon flavor under the "Lipton" trademark

Sport drink under the "Gatorade" trademark

Energy drink under the "Wrangyer" trademark

Sport drink under the "PowerPlus" trademark

#### 3. Distributor of food and beverages

Ready-to-drink green tea in cans and PET bottles under the "Oishi" trademark

Ready-to-drink black tea in cans and PET bottles: lemon flavor under the "Lipton" trademark for Pepsi Lipton International Company Limited

Soda water under "Chang" trademark

Herbal drink under the "Jubjai" trademark

#### 4. Manufacturer and Distributor of carbonated soft drinks

Carbonated soft drinks under the "est" trademark

Functional carbonated soft drinks under the "100 Plus" trademark

Additionally, the Company is committed to becoming a producer and distributor of wide portfolio of beverages based on efficiency in production cost management and enhanced satisfaction that meets customer and consumer needs.

#### The 2015 overview

The Company believes in the favorable growth potential of its carbonated and non-carbonated soft drinks lines, given the market entry of its new carbonated soft drink products under the "est" trademark since November 2, 2012, its strength in high potential distribution coverage and growing sales of its highly trusted Crystal drinking water. The Company continues to distribute a variety of new products, new sizes into the Thai market via a wide range of distribution channels to enhance customer reach and ensure successful market share growth.

## Management Discussion and Analysis: MD&A

### Annual Performance

(Unit : Million Baht)

Transactions	2015	2014	Change	%
Total revenue	11,216.9	11,798.6	(581.7)	(4.9)
Cost of goods sold	8,333.3	7,712.6	620.7	8.1
Gross profit	2,883.6	4,086.0	(1,202.4)	(29.4)
Selling and administrative expenses	3,386.1	4,236.9	(850.8)	(20.1)
Profit (Loss) from operation	(502.5)	(150.9)	(351.6)	(233.0)
Finance cost	10.5	39.1	(28.6)	71.8
Income tax benefit	102.7	316.8	(214.1)	(67.6)
Net income (loss)	(304.9)	288.1	(593.0)	(205.8)
Earnings (Losses) per share (Baht)	(1.15)	1.08	(2.23)	(206.5)

Sermasuk Public Company Limited's operating results for the year ended December 31, 2015 as reported in the consolidated financial statements shown net loss of Baht 304.9 million which included gain on disposal of non-current assets held for sale in Baht 445.8 million. Net loss increased by Baht 593 million compared to net income of prior year in Baht 288.1 million which included gain on est brand sales Baht 1,280.8 million. The significant factors are as follows:

1. Revenue from sales was Baht 10,514.6 million or increased by 1% because the Company has continued to strengthen its growth of Crystal and launched 100plus and Jub-Jai in Q1 2015
2. Cost of sales was Baht 8,333.3 million or increased by 8%, mainly due to change in product mix and business model of est.
3. Selling and administrative expenses was Baht 3,386.1 million or decreased by 20%, mainly from lower expenses of sales and marketing due to change in business model of est.
4. Other income of Baht 256.5 million was mainly from revenue recognition on consultancy fee of est Baht 130 million and others were scrap sales.

The operating results for the year ended December 31, 2015 reflected to the basic losses per share at Baht 1.15 or net loss increasing by Baht 2.23 per share compared to basic earnings per share at Baht 1.08 of prior year.

### Dividend policy

The Company has a policy to pay dividends with a payout ratio of not less than 40% of consolidated net profit for each fiscal year after providing a legal reserve and carrying forward losses (if any) as required by law. However, the actual dividend payment will depend on the Company's cash flow position, investment plan, obligations and other conditions of the agreements as well as other necessities and appropriateness in the future.



## Management Discussion and Analysis: MD&A

### Financial Status

Transactions	2015	2014*	Change	%
<b>Assets</b>				
Current assets	2,146.4	3,366.5	(1,220.1)	(36.2)
Non – current assets	9,717.0	9,980.4	(263.4)	(2.6)
Total assets	11,863.4	13,346.9	(1,483.5)	(11.1)
<b>Liabilities</b>				
Current liabilities	2,430.3	3,503.8	(1,073.5)	(30.6)
Non – current liabilities	985.7	1,098.5	(112.8)	(10.3)
Total liabilities	3,416.0	4,602.3	(1,186.3)	(25.8)
<b>Equity</b>				
Total equity	8,447.4	8,744.6	(297.2)	(3.4)
Total liabilities and equity	11,863.4	13,346.9	(1,483.5)	(11.1)
Liabilities/Equity	0.4	0.5	(0.1)	

\* Financial statements for the year 2014 has been revised by containers reclassification for comparison purpose.

The financial position of the Company as at December 31, 2015 has been continually strong to support the business expansion in the future. The cash flow for the year ended December 31, 2015 of the Company was shown net cash increase in Baht 295.3 million derived by proceeds from disposal of non-current asset held for sale in totaling Baht 1,736.3 million which used for settlement all short term loans from financial institutions in totaling Baht 1,000 million, investing in new capital expenditure in approximately Baht 468.2 million as well as supporting the Company's normal operations.

### Forward looking

Vision of the Company focus on four business pillars as following:

1. To expand the water drink market (Crystal)
2. To be a manufacturer and distributor of non-carbonated beverage
3. To be a distributor of food and beverage products
4. To be a manufacturer and distributor of carbonated beverages

To deliver as per company mission and to align its operations with the ThaiBev Group's vision 2020 strategy, we must respond to the competitive factors, looking for new channel including OEM, export market. Moreover our costing of product and distribution are subject to company result due to the resource utilization. Change in the economic and political environment do effect consumer confidence.

Thus our financial success will depend on our ability to address global, regional and local political and economic uncertainties.

# Information of the Company's Directors, Management and Company Secretary

## 14. Information of the Company's Directors, Management and Company Secretary

### 14.1 Information of the Company's Directors, Management, Controlling Parties (if applicable) and Company Secretary

14.1.1 Details of the Company's Directors, Management, Controlling Parties and the Company's Secretary are presented in the following table:

Name Position Date Appointed (1)	Age	Educational Credentials Training Experience (2)	Share Holding (%) (3)	Relation to the Management (4)	Year	Working History (5)	
						Positions	Company / Business Type
Mr. Philipong Lamsan Independent Director and Chairman Date Appointed : 20 November 1998	41	MBA, Temple University, U.S.A	- shares	None	Registered position	Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors	Muang Thai Life Assurance Public Company Limited Muang Thai Life Assurance Public Company Limited Muang Thai Group Holdings Co., Ltd.
						Adviser Member of Audit Committee Independent Director Sustaining and Compensation Committee Vice Chairman Chairman of Compensation and Nominating Committee Chairman Chairman Chairman Independent Director Independent Director Director	The Fubon Insurance Public Company Limited RTH Group Holdings Public Company Limited RTH Group Holdings Public Company Limited The Moral Dream MFG. Public Co., Ltd. The Moral Dream MFG. Public Co., Ltd. The Social Insurance Public Company Limited The Social Insurance Public Company Limited Vongkarn Public Co., Ltd. The Insurance Public Company Limited Rajabhat (Royal) Public Company Limited
Mr. Jachin Wongsri Vice Chairman No.2, Executive Director Chairman of Compensation Committee Member of Audit Committee Date Appointed : 20 April 2010	40	MBA, Temple University, U.S.A Sorbonne Institute of Technology, USA Bale of the Chairman Program (BCF) 2001 Thai Institute of Directors Senior Executive Program (CEA) 9/ 2009 Capital Market Academy Senior Executive Program in Trade and Commerce, Commerce Academy 2009 Senior Executive Program in Urban Development Administration, "Administrative" Institute of Management Development 2011 Advanced Insurance Program (DRC) 2012 Office of Insurance Commissioner Director Australian Program (DAP) 2013 Thai Institute of Directors	- shares	None	Positions in other related companies 2007-present 2006-present 1991-present 1990-present 1989-present 1987-present 1982-present 1980-present Adviser experience of previous 5 years 1985-2009 1980-2011 2007-2014	Director Director Chairman Director Director Chairman Chairman Independent Director Director	Agree Inside Co., Ltd. Wongkarn Public Co., Ltd. Rangsit Public Co., Ltd. Wongkarn Public Co., Ltd. Pet Co., Ltd. Sermasuk Thai Co., Ltd. Wongkarn Co., Ltd.
						Director Independent Director Chairman	The Moral Dream MFG. Public Co., Ltd. The Moral Dream MFG. Public Co., Ltd. Fubon Insurance Pk
Mr. Chongsak Ratanakul Vice Chairman No.2, Executive Director Chairman of Compensation Committee and Nominating and Corporate Governance Committee Date Appointed : 14 September 2011 None - Resigned as Executive Director on October 3, 2014	42	MBA in Finance And Banking University of Missouri, USA Director Certification Program (DCTP)	- shares	None	Registered position 2008 2008 2011-present Positions in other related companies Registered 1991-present 2007-present 2002-present 2000-present 2000-present	Chairman of Executive Committee Chairman of Executive Committee Director Executive Director Adviser President Chairman of Executive Committee Director	Southwest Insurance Pk Southwest Life Insurance Pk Goldfield Property Development Pk Diamond Building Co., Ltd. TCC Building Co., Ltd. Southwest Group Co., Ltd. Southwest Capital Co., Ltd. TCC Technology Co., Ltd.



## 155

ANNUAL REPORT  
2015

## Information of the Company's Directors, Management and Company Secretary

Name Position Date Appointed (1)	Age	Educational Credentials Training Experience (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		Company / Business Type
					Year	Positions	
<b>Mr. Sanchai Raksakulchai</b>  Director CEO Chairman of Executive Committee Member of Nomination and Corporate Governance Committee Member of Risk Management Committee  Date Appointed : 3 January 1996	73	M.Sc. School of Business Administration, Modesto Park College  Director Certification Program (DCFP), Class 12/2003, The Institute of Directors  Certificate of Chief Executives, Class 1 (2012), Capital Market Academy  Certificate of Senior Executive Program in Trade and Commercial Law 2554 Commercial Academy, The University of the Thai Chamber of Commerce  Certificate of Senior Executive Program in Energy Industry Class 12/2515 Thailand Energy Academy	- shares	Relative of Vice Chairman of Executive Committee No.1	<b>Regulated positions</b> 2013-2015 2013-2015 1991-2013 2008-present 2013-present  Positions in other related companies 2014-present 2013-present 2008-present 2002-present 1997-present 2002-present 2002-present 2002-present 1994-present 1995-present Job experience of previous 5 years 1996-2011 1992-2011	Vice Chairman Independent Chairman Director Independent Director Chairman  Vice Chairman No.1 Chairman Chairman Chairman Chairman Director Director Director Chairman of Executive Committee Director  Sermarak PCL Bangkok Glass Ph.	
<b>Ms. Dittirade Raksakulchai</b>  Director Vice Chairman of Executive Committee No.3 Member of Risk Management Committee  Date Appointed : 29 April 2016  Noted: Resigned as President and Appointed as Vice Chairman of Executive Committee No.3 on October 1, 2013	47	M.B.A., Ballston College USA  Certificate of Director Certification Program (DCFP) Class 12/2006 The Thai Institute of Directors Association (TID)  Noted: Resigned as President and Appointed as Vice Chairman of Executive Committee No.3 on October 1, 2013	- shares	Relative of CEO	<b>Regulated positions</b>  Positions in other related companies  Job experience of previous 5 years 1996-2011 1992-2011	Director Director Director Director Director Director Director Director and Vice Chairman of Executive Committee No.3 Vice Chairman Director President General Manager of Pharmaceutical Plant	Crown Seal Public Company Limited  Pylyene (Thailand) Co., Ltd Sermarak Holding Co., Ltd Sermarak Beverage Co., Ltd Wangrang Beverage (2009) Co., Ltd Sermarak Training Co., Ltd Orai Brand Thailand Thai Drink Co., Ltd Modern Trade Management Co., Ltd Carb Viet Management Co., Ltd  Sermarak Ph. (4 October 2013-30 September 2015) Sermarak Ph. 11 January 2008-3 October 2011)
<b>Pref. Dr. Khamsing Suchada Krasameesri</b>  Independent Director Chairman of Audit Committee Chairman of Risk Management Committee  Date Appointed : 5 February 2008	70	Master and Ph.D. (Statistics) Harvard University, U.S.A.  Bachelor of Commerce (First Honor), Chulalongkorn University  Director Certification Program (DCEP), Year 2000 The Institute of Directors	- shares	None	Job experience of previous 5 years (February 2012-present) (August 2007-present)  (2006-present) (November 2013-present) (July 2006-July 2013) (September 1999-August 2011) Regulated positions (April 2000-November 2011) (November 2011-March 2013) (April 2013-present)	Chairman of Corporate Governance Committee of Phu Fab  Director and Member of Audit Committee Chairman of Human Resource Committee Chairman of Insurance Committee  Independent Director and Member of Audit Committee Independent Director and Chairman of Audit Committee Vice Chairman and Chairman of Independent Committee Chairman of Human Resource and Sustainability Committee	Chairman of Chulalongkorn University Council Fund for Development of Children and Youth in Remote Areas Under the Initiative of Prachin Maita Child's Welfare The Thailand Cross Society The Thailand Cross Society Maha Wittayalai School Chairman of Thai Buddhist Association  Kasikornbank PCL Kasikornbank PCL Kasikornbank PCL



# Information of the Company's Directors, Management and Company Secretary

Name Position Date Appointed (1)	Age	Educational Credentials Training Experience (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)	
					Year	Positions Company / Business Type
<b>Mrs. Suporn Maneevorn</b> Independent Director Member of Audit Committee Member of Risk Management Committee Date Appointed : 13 August 2013	47	Master of Business Administration in Wichita State University, Kansas, USA Faculty of Commerce and Accountancy, Chulalongkorn University Pre-University Education Certificate, Audit Committee Program (ACPA, Class 12/2001), The Institute of Directors Certificate, Role of the Compensation Committee (RCC), Class 4/2007 The Institute of Directors Certificate, Directors Certification Program (DCFP), Class 12/2005, The Institute of Directors Lateral Company Director Training - Understanding the Regulatory Environment in Singapore What Every Director Ought to Know, Singapore Institute of Directors	- shares	-None-	Reappointed position 2006-Present 2009-Present 2009-Present 2013-Present 2014-Present January 2014-present 2013-Present August 2013 - Present 2008-Present	Director Chairman of Audit Committee Member of Remuneration Committee Director Chairman of Audit Committee Member of Audit and Nominating Committee Compensation Committee Director and Chairman of Audit Committee Chairman Thailand Capital Public Company Limited Thailand Capital Public Company Limited Thailand Capital Public Company Limited Prater and Naveen, Limited (Singapore) Prater and Naveen, Limited (Singapore) Prater and Naveen, Limited (Singapore) The Siam Energy Public Company Limited Siam Asset Management Co., Ltd. (Changed name from Siam Securities Securities Public Company Limited)
<b>Mrs. Promsuk Phrasitongphat</b> Director Date Appointed : 19 April 2012	50	MBA (Marketing) Kellogg School of Management - Northwestern University MBA, Kennedy School of Government, Harvard University Director Certificate Program Class 55/2008 The Institute of Directors (IID) Senior Executive Program Capital Market Academy (CMA) Class 16	- shares	-None-	Reappointed position 2005-present Positions in other related companies Reappointed 2004-present 2002-present 1999-present 1997-present 2011-present	Independent Director Managing Director Managing Director Director Director Director Managing Director The Siam Human PCL. Siam Co., Ltd. Wai Wai & Associates Co., Ltd. Paragon Co., Ltd. Phoncharoen Co., Ltd. Phakdeekoo Co., Ltd. Patana Chok Co., Ltd. My DNA Co., Ltd.
<b>Prof. Ratan Channabutra</b> Independent Director Date Appointed : 26 April 2011	72	(1963) Bachelor of Laws, Thammasat University (1966) The Institute of Law (1979) Master of Laws, Chulalongkorn University Diploma 1986, National Distance College, The Joint State - Private Sector Course Class 1 Director Accreditation Program Class 26/2008 The Institute of Directors (IID)	- shares	-None-	Registered position 2010-present Positions in other related companies 2004-present	Vice Chairman Vice Chairman Director Advisor Adjunct Professor Adjunct Professor Adjunct Professor Adjunct Professor Lecturer of Department of Special Investigation Lecturer of Institute of Administration Development Guest Lecturer of Office of the Attorney General Qualified Member Qualified Director Advisor Member of the Council of State Committee of the Council of State (Special Affairs Section) National Committee for Justice Administration Development Committee Qualified Committee Siam Thai Engineering & Construction P.L.C. Siam Thai Engineering P.L.C. Siam Thai Engineering P.L.C. Bangkok Airways P.L.C. Faculty of Law, Chulalongkorn University The Thai Bar under The Royal Patronage Faculty of Law, Mahidol University Faculty of Law, Mae Fah Lueang University Ministry of Justice Ministry of Justice Ministry of Public Health Committee of Office of Social and Welfare Enterprises (SMEs) National Science and Technology Development Agency Athletic Association of Thailand Office of the Council of State Ministry of Justice Legislative Committee - Ministry of Agriculture and Cooperation of Thailand





# Information of the Company's Directors, Management and Company Secretary

Name Position Date Appointed (1)	Age	Educational Credentials Training Experience (2)	Share Holding (%) (3)	Relations to the Management (4)	Working History (5)		Company / Business Type
					Year	Positions	
Mr. Muek Ransarnthai Director Executive Director Date Appointed : 13 August 2013	48	DCP Bullfinch Course (DCP-Raj Chul-2286, The Institute of Directors  Bachelor of Science Program in Computer Science (Applied Society) Chulalongkorn University  Master of Business Administration (Marketing and General Management) Cleveland State University, USA  Certificate of Business and Administration Extension School Harvard University, USA  Director Certification Program (DCP) Class 180, The Thai Institute of Directors Association (TIDA)  Senior Executive Program in DMS Class 13 Capital Market Academy (CMA)  Executive Development Program 2, Capital Market Academy (CMA)	- absent	- None	Products in other unlisted companies September 2007-present March 2010-present  Registered position  Problems in other unlisted companies	Director (Director and Vice Chairman of Executive Committee)  August 2013-present September 2012-present  May 2014-present April 2014-present March 2014-present June 2014-present August 2013-present August 2013-present August 2013-present August 2013-present August 2013-present August 2013-present August 2013-present December 2012-present  March 2013-December 2013 March 2014-June 2014 December 2011-June 2014 October 2013-March 2014 September 2012-March 2014 September 2012-August 2013 April 2011-April 2013 May 2010-August 2012 January 2009-August 2012 May 2009-January 2011 January 2009-January 2013	Eastern Seaboard Industrial Estate (Rayong) P.L.C. Beer Tap Brewery (1991) Co., Ltd.  Director/ Executive Director Oishi Group P.L.C. Executive Director and Vice President (Non-Executive) Thai Beverage P.L.C.  Vice Chairman S.P.M. Food & Beverages Co., Ltd. Director/ Executive Director Oishi Food Co., Ltd. Vice Chairman of Executive Committee/ Ind Bangkok Co., Ltd. Vice Chairman of Executive Committee No.2 / Director Thai Food Co., Ltd. Director/ Executive Director Wongsak Beverage (2006) Co., Ltd. Director/ Executive Director Sermak Training Co., Ltd. Director/ Executive Director Sermak Beverage Co., Ltd. Director Oishi International Holdings Limited Director Oishi Kaseo Co., Ltd. Director Oishi Trading Co., Ltd. Vice Chairman/ Vice Chairman of Executive Committee Modern Trade Management Co., Ltd.  Director Thai Food Co., Ltd. Chairman of Executive Committee Thai Food Co., Ltd. Qualified Committee The Office of Food and Medical Enterprises Promotion Committee/ Chairman of Executive Committee Bangkok Co., Ltd. Vice Chairman/ Chairman of Executive Committee / President Thai Beverage Marketing Co., Ltd. Senior Vice President of Business Administration Thai Beverage P.L.C. Vice Chairman of Membership Extension Committee Vice Chairman of Committee and Board of Trade of The Thai Chamber of Commerce and Board of Trade of Thailand Senior Vice President (Support Staff Quality) Thai Beverage P.L.C. President (Office of President) Thai Beverage P.L.C. Director and Executive Director Thai Food Co., Ltd. Vice president Thai Beverage Marketing Co., Ltd.





## Information of the Company's Directors, Management and Company Secretary

Name Position Date Appointed (1)	Age	Educational Credentials Training Experience (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		Company / Business Type
					Year	Positions	
Mr. Prid Vorvorath Group General Manager and General Plant Manager - Performance Plant Date Appointed: 16 September 2014	34	Diploma of Administration in Marketing, Rajabhat Institute of Technology	- shares	-None-	16 September 2014-present 1 December 15 September 2014 1 Oct. 1996-2011	Group General Manager and General Plant Manager - Performance Plant Manager - Performance Assistant General Plant Manager - Performance, Sales Department (Previous)	Sermasuk P.L. Sermasuk P.L. Sermasuk P.L.
Mr. Kwanthai Mahasarakul General Plant Manager - Nakhon Phanom Date Appointed: 1 January 2009	56	B.A. in Marketing, Assumption Business Administration College	- shares	-None-	1 Jan 2009 - Present	General Plant Manager - Nakhon Phanom	Sermasuk P.L.
Mr. Pongrat Somtanthakul General Plant Manager - Nakhon Phanom Date appointed: 16 April 2013	41	BBA, Mahachulalongkornrajavidyalaya	- shares	-None-	2008-2013 2013-2013	Sales Division Manager General Sales Manager	Green Sport Co., Ltd. Hualand Complex (Thailand) Co., Ltd.
Mr. Vinod Bhatnagar General Plant Manager - Suratthani Date Appointed: 16 April 2013	47	B.A. in Marketing, Assumption Business Administration College	- shares	-None-	March 2011 - Present June 2003-July 2011	General Plant Manager - Suratthani Regional Sales Manager	Sermasuk P.L. North Thailand Co., Ltd. (Phonchai)
Miss Anusara Tangthongphongkul Company Secretary Date Appointed: 11 August 2013 Responsibilities: Prepare and collect the following documents, Registration of Directors Director letters for board meetings meeting minutes and the Company's annual report Invitation letters for shareholder meetings and minutes of shareholder meetings The Company Secretary also performs other duties as assigned by the Company for the Company's Board of Directors, as follows: - Provide legal advice and other information on related regulations and corporate governance practices and ensure the supervision of the Board of Directors - Be compliance with the law - Arrange the meetings for the board of directors and shareholders - Work with internal services to ensure the compliance of the Board of Directors and shareholder meetings' regulations - Work with oversight organizations such as the Securities and Exchange Commission and ensure the information disclosure and information reporting to the oversight organizations and the public in a highly accurate and complete manner - Undertake other duties as assigned by the Company	49	DBM 2003 Class, Western Reserve School of Law Cleveland Ohio, USA Master of Laws (LL.M.) (1992-1997) Assumption University, Bachelors of Laws (LL.B.) -The Royal's Certificate of Honor RFD : Company Secretary Program (CSR) Class 4/2012	- shares	-None-	16 October 2013-present December 1, 2006 2002-2006	Legal Manager and Company Secretary Senior Legal Counsel Legal Unit, Manager of General Counsel Division Lawyer, Logistics and Industrial Property Department	Sermasuk P.L. Sermasuk P.L. Sermasuk P.L. East Access Communication Public Co., Ltd. (EAC) Dej-Udon A. Associates Co., Ltd.

Sermasuk Public Company Limited and its Subsidiaries

## Report of the Board of Directors' Responsibility on the Financial Statements

### 15. Report of the Board of Directors' Responsibility on the financial Statements

The Board of Directors of Sermasuk Plc. is responsible for the financial statements of Sermasuk Plc. and the consolidated financial statements of the Company and its subsidiaries including all financial information disclosed in the Company's annual report. The financial statements were prepared in accordance with Thailand's Generally Accepted Accounting Principles, as part of the Accounting Act B.E. 2543 and in line with the Securities Exchange Commission Act B.E. 2535, using appropriate and consistent accounting policies. The Management exercised due care in the preparation and disclosure of all significant financial information for the benefit of the Company's shareholders and general investors. The financial statements were examined by an independent certified public accountant who expressed unqualified opinion in the Auditor's report.

The Board of Directors oversees corporate governance, ensuring the existence of appropriate and efficient risk management and internal control systems. This is to make sure that the accounting information of the Company and its subsidiaries are kept and recorded in an accurate, comprehensive, timely and sufficient manner while preventing significant corruption or irregularities.

To provide an ongoing review of the Company's internal control system and examine the Company's operations on the regular basis, the Board of Directors has appointed the Audit Committee that consists of independent directors to oversee and ensure the quality, effectiveness and reliability of the Company's internal control and examination operations. The Audit Committee has expressed opinion about such matters in the Audit Committee's report as stated in the Company's Annual Report.

The Board of Directors is of the opinion that the internal control system of the Company and its subsidiaries and the internal auditing system of the Company as a whole, are satisfactory, reasonably ensuring the accuracy of the core content of the financial status and operating results contained in the financial statements of the Company and its subsidiaries as at December 31, 2015.



Sermasuk Public Company Limited and its Subsidiaries

## Report of the Audit Committee

### 16. REPORT OF THE AUDIT COMMITTEE

(Translation)

To: The shareholders  
Sermasuk Public Company Limited

The current Audit Committee appointed by the Board of Directors consists of three independent directors, Professor Dr. Khunying Suchada Kiranandana, Mr. Suchin Wanglee and Mrs. Siripen Sitasuwan. In 2015, the Audit Committee held 5 meetings that consisted of 4 ordinary meetings and 1 extraordinary meeting.

The four ordinary meetings reviewed the operations of the Company and its subsidiaries, including the assessment of the adequacy and efficiency of the internal control system, the review of the internal audit plan and audit reports, following-up on issues raised by the auditors and providing corrective suggestions; ensuring adequate risk management; approving the quarterly and annual financial statements by working with the management, the auditor and the internal auditor, to ensure the adequacy and correctness of the financial statements and the disclosures according to the generally accepted accounting principles, including the review of connected transactions or transactions which could possibly lead to conflict of interest; the execution to consider overall operations to ensure compliance with related laws and regulatory requirements; and recommended the appointment of the external auditor and annual audit fee to the Board of Directors.

The only one extraordinary meeting involved the disclosure of the notes to financial statements of 2015.

The operations of the Company and its subsidiaries in 2015 revealed that the company had an adequate internal control system in accordance with the Statements of Thai Financial Reporting Standards. The financial statements and disclosures were prepared and reported according to the generally accepted accounting principles and complied with the appropriate laws and regulatory requirements

*Professor Dr. Khunying Suchada Kiranandana*  
Chairman of Audit Committee  
February 17, 2016

Sermsuk Public Company Limited and its Subsidiaries

## Report of the Risk Management Committee

### 17. REPORT OF THE RISK MANAGEMENT COMMITTEE

(Translation)

To: The shareholders  
Sermsuk Public Company Limited

The Risk Management Committee appointed by the Board of Directors Meeting Resolution consists of seven directors and four directors by position including Finance Director, Sales Director, Human Resources Director and Operations Director.

The Risk Management Committee performed the duties assigned by the Company's Board of Directors. In 2015, the Risk Management Committee held four meetings, developed the principles and guidelines to undertake more efficient risk management on a continual basis and reviewed risk factors and external and internal risk levels as well as followed up on the operations in parallel to the risk management principles and made appropriate adjustments to strategic planning for sustainable management.

Given the operations of the Company and its subsidiaries in 2015, the Risk Management Committee reported that the Company has prepared a risk management plan and implemented a policy to manage risk more efficiently and continually in line with good corporate governance requirements while undertaking adequate internal controls that best suited the Company's businesses.

*Professor Dr. Khunying Suchada Kiranandana*  
Chairman of Risk Management Committee





**Sermsuk Public Company Limited**

Muang Thai-Phatra Complex, Tower 1, 27-28th Floor,  
252/35-36 Rachadapisek Road, Huay Kwang, Bangkok 10310  
Tel.66-2693-2255-65 Fax: 66-2693-2266

**[www.sermsukplc.com](http://www.sermsukplc.com)**