SERMSUK

Fulfill Happiness

# The Beginning of "HAPPINESS"

ANNUAL REPORT 2018
SERMSUK PUBLIC COMPANY LIMITED

Happiness
starts here

# CONTENTS


**02** Message from the Chairman
**04** Board of Directors
**08** Executives
**11** Product Portfolio
**14** Corporate Social Responsibility Activities
**30** Policy and Business Overview
**40** Business Operations
**44** Risk Factors
**47** Basic Information
**49** Shareholders
**50** Dividend Pay-out Policy
**51** Management Structure
**61** Corporate Governance
**80** Corporate Social Responsibilities : CSR
**87** Connected Transactions
**96** Financial Data and Financial Statements
**172** Management Discussion and Analysis : MD&A
**174** Information of the Company's Directors, Management, Controlling person and Company Secretary
**182** Report of the Board of Director's Responsibility on the Financial Statements
**183** Report of the Audit Committee
**184** Report of the Sustainability and Risk Management Committee
**185** Report of the Compensation Committee
**186** Report of the Nominating and Corporate Governance Committee


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

# Message from the Chairman

*At Sermsuk, we believe the commitment and passion we put into our business has paid off with the results we achieved in the domestic market and greater synergies with the ThaiBev Group. These are important factors in achieving consumer satisfaction in the Thai market, and they further drive revenue growth while being an effective way to enhance the ThaiBev Group's non-alcoholic drinks business.*

**Dear Shareholders,**

For the last fiscal year from October 2017 to September 2018. There is a decrease in purchasing power for consumer goods in Thailand as buyers became more cautious with their spending. This was the key factor behind a decline in the overall beverage market. Despite this negative sentiment, Sermsuk managed to achieve a positive growth rate.

During the year, Sermsuk reached 10,820 million baht in revenues, an increase of 1.9% compared to the previous year. This is the result of our efforts to continuously improve Sermsuk's operations with a focus on four specific areas:

1. Efficient **portfolio management** to ensure that we offer a range of brands and products to fulfil the needs of our consumers. Crystal and Oishi are the number one drinking water and RTD green tea brands in the market while est Play holds the number two position in the flavored CSD market. To maintain this leadership position for the Company's brands, Sermsuk will continue to launch new products while developing a range of healthy products to meet consumer demand for active lifestyles and healthier choices.
2. Optimizing the **route to market (RTM)** enabled Sermsuk to distribute products more quickly and efficiently, meeting the requirements of both retailers and consumers.

3. Our **production process**, which meets international quality standards, is ISO 22000, HACCP and NSF certified. We have also received several accreditations including the Carbon Footprint for Organizations and Carbon Footprint Reduction labels, and a CSR DIW. In recognition of our efforts, the Company received a Water Footprint Award for our effective water management, and the FDA Quality Award.
4. We are proud of the Company's **sustainability development** initiatives that help to keep the ThaiBev Group at the forefront of the global beverage industry in terms of sustainability. ThaiBev was included in the globally-recognized DJSI World Index for the second year, representing an emerging market for the third year, and became the highest-ranked beverage company on the list globally.

At Sermsuk, we believe the commitment and passion we put into our business has paid off with the results we achieved in the domestic market and greater synergies with the ThaiBev Group. These are important factors in achieving consumer satisfaction in the Thai market, and they further drive revenue growth while being an effective way to enhance the ThaiBev Group's non-alcoholic drinks business.

In closing, I would like to express my deep gratitude and appreciation to our shareholders, who have consistently placed their trust in Sermsuk. I would also like to thank the Board of Directors, the management team, and each and every staff member for their dedication, which has helped Sermsuk in our mission of providing happiness to our consumers.

Mr. Somchai Bulsook
Chairman

# Board of Directors

**Mr. Somchai Bulsook**

Chairman

**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,
Member of Compensation Committee
and Member of Nominating
and Corporate Governance Committee

**Mr. Thapana Sirivadhanabhakdi**

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

**Mr. Ueychai Tantha-Obhas**

Vice Chairman No.4
and Vice Chairman of Executive Committee No.1

***Remark :*** *Mr. Ueychai Tantha-Obhas was appointed as Vice Chairman No.4 and Vice Chairman of Executive Committee No.1 on 16 November 2018.*

**Prof. Dr. Khunying Suchada Kiranandana**

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

**Prof. Rawat Chamchalerm**

Independent Director

**Ms. Siripen Sitasuwan**

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

## Mr. Pramoad Phornprapha

Independent Director,
Member of Nominating
and Corporate Governance Committee
and Member of Sustainability
and Risk Management Committee

## Mr. Dhitivute Bulsook

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

***Remark :*** *Mr. Dhitivute Bulsook was appointed as the Vice Chairman of Executive Committee No.3 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.2)*

## Mr. Sakchai Thanaboonchai

Director

## Mr. Rangsan Thammaneewong

Director

## Mr. Sithichai Chaikriangkrai

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

***Remark :*** *Mr. Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No.2 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.1)*

## Mr. Michael Chye Hin Fah

Director and Executive Director

***Remark :*** *Mr. Michael Chye Hin Fah resigned from Director and Executive Director on 16 November 2018.*

## Mr. Lester Tan Teck Chuan

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

## Ms. Tongjai Thanachanan

Director

# Executives

**Mr. Lester Tan Teck Chuan**

President

**Ms. Prangnee Chaipidej**

Marketing Director

***Remark :*** *Ms. Prangnee Chaipidej was appointed as Marketing Director on 1 October 2018.*

**Mr. Peerapong Krinchai**

Operations Director

**Mr. Phromson Ayanaputra**

National Sale Director

**Ms. Nuntaka Watsreevanich**

Finance Director
and Company Secretary

**Mr. Nitipat Putthong**

Human Capital Director

**Mr. Pibul Voravath**

Senior Sales Director (R1)

**Mr. Kwanchai Mahapornprachak**

Sales Director (R2, R3, R4)

**Mr. Pongwit Sumethmethachai**

Sales Director (R5, R6)

# Product Portfolio

**est Cola**

**est Free**

**est PLAY Strawberry**

**est PLAY Cream Soda**

**est PLAY Orange**

**est PLAY Lemon Lime**

**est PLAY Grapeberry**

**est PLAY Melon Bingsu**

**est PLAY Pinkbomb**

**est PLAY Kamikaze**

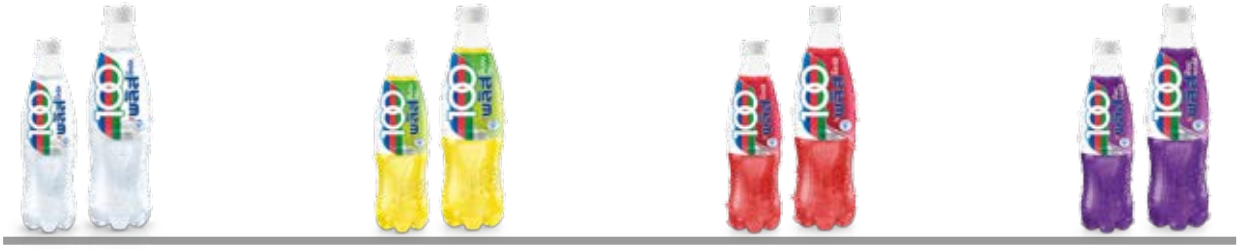
**Sarsi**

**Crystal**

**Oishi**

**Jubjai**

**100PLUS**



**Rock Mountain**

**Ranger**

**Power Plus**

# Corporate Social Responsibility Activities

To realize its Vision 2020: Stable & Sustainable,
Sermsuk Public Company Limited pledged
to carry out business with relentless commitment
to social responsibility to achieve sustainable
development throughout 2018

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under the operating strategy
“Creating & Sharing the Value of Growth”
in accordance with our corporate theme of
**“Sermsuk Fulfills Happiness”.**

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To that effect, the Company provided
knowledge, expertise as well as
support for numerous socially-responsible
activities in the forms of CSR-in-process
and CSR-after-process
to contribute to the community, society,
and the environment.

# Corporate Social Responsibility Activities for Sustainable Development

# **Sermsuk Public Company Limited 2018**

*The demonstrated commitment to corporate social responsibility and sustainable development throughout 2018 resulted in satisfactory performance, earning Sermsuk business success and wide acceptance from customers, the community, and society as well as other agencies. The Company's outstanding socially-beneficial practices are as follows:*

## Customer Accountability

In 2018, Sermsuk Public Company Limited achieved another milestone, receiving the Thai FDA Quality Award 2018 for the 5th consecutive year. The award is the highest honor given by the Thai Food and Drug Administration (Thai FDA) to recognize outstanding health product enterprises committed to the highest quality and safety. To qualify for the award, companies must demonstrate efficient manufacturing processes, effective consumer-focused strategies, innovations, social responsibility, and good corporate governance.

Sermsuk Public Company Limited has obtained this coveted award for five consecutive years. On December 21, 2017, Mr. Peerapong Krinchai, Operations Director of Sermsuk was presented with the Thai FDA Quality Award 2018 from Dr. Piyasakol Sakolsatayadorn, Minister of Public Health, at Miracle Grand Convention Hotel, Bangkok.

The prestigious accolade is an honor for Sermsuk and helps boost the Company's dedication to operating with relentless commitment to quality. At the same time, it enhances customer confidence in every brand of product manufactured by Sermsuk as products of high quality and safety underscored by the Thai FDA Quality Award.

To maintain customer confidence in Sermsuk's products, the Company has given top priority to product safety by implementing the FSSC 22000 Food Safety System at its first plant in Chonburi before extending to four other plants in Pathumthani, Nakorn Ratchasima, Nakorn Sawan, and Surat Thani in 2018.

Sermsuk's Chonburi Plant was audited and certified to the FSSC 22000 by SGS (Thailand) Ltd., making Sermsuk the first beverage company in Thailand and in the world to have achieved Food Safety System Certification 22000 version 4.1. In order to achieve certification companies must have the food safety management system, management responsibilities, resources management, planning and manufacture of safety products, verification of the system, performance evaluation, and update of the food safety management system. Compared to the ISO 22000:2005 Food Safety System, the additional requirements are management of services, food defense, food fraud, product labeling, and logo use among others.

The FSSC 22000 Certificate award ceremony was held at Sermsuk's Chonburi Plant where Mr. Peerapong Krinchai, Operations Director of Sermsuk, received the FSSC 22000 Certificate on behalf of Sermsuk Public Company Limited management from Mr. Jirote Na Nakorn, Managing Director of SGS (Thailand) Ltd.

In 2018, Crystal was awarded No.1 Brand in Thailand 2017-2018 for the Natural Water category, reaffirming its leadership status as No.1 choice for drinking water among Thai consumers according to a survey by Video Research International (Thailand) Co., Ltd., which is headquartered in Japan, and Marketeer Research. The survey of 4,000 Thai consumers nationwide focused on assessing consumer preferences for 46 product and service categories. Crystal drinking water from Sermsuk was ranked first for the Natural Water category with a score of 19.9%. Mr. Naruepon Pongpanich, Marketing Manager of Sermsuk, received the award from Mr. Somtirat Sontijirawong, Minister of Commerce, and Mr. Permpol Popermhem, editor-in-chief and founder of Marketeer Magazine at Siam Kempinski Hotel.

## Environmental Stewardship

Since 2016, Sermsuk has joined the Corporate Carbon Footprint Project sponsored by the Thailand Greenhouse Gas Management Organization and Thailand Environment Institute under The Federation of Thai Industries. The project was expanded to all seven plants of Sermsuk in 2018. The objectives were to assess the greenhouse gas emissions from the Company's production process and verify the results in accordance with internationally accepted standards, allowing the Company to set forth guidelines and activities directed at reducing corporate greenhouse gas emissions effectively. The efforts have demonstrated Sermsuk's tangible commitment to mitigating the risks from global warming and climate change.

In 2018, Sermsuk rose to prominence as the first beverage company in Thailand to have all its plants achieve Corporate Carbon Footprint certification while Crystal drinking water, est Cola, and est Play received the Carbon Footprint label. To date, 16 product items of Sermsuk obtained the Carbon Footprint Reduction label and 6 received the Carbon Footprint label, totaling 22 items for their contribution to reducing greenhouse gas emissions as a means of mitigating the impact of global warming. Aside from increasing competitiveness for Sermsuk product offerings, the endeavors also enable consumers to take part in reducing greenhouse gas emissions to help drive Thailand toward becoming an environmentally-friendly low-carbon society in a sustainable manner.

On September 19, 2018, Mr. Peerapong Krinchai, Operations Director of Sermsuk, led a team of executives from all five plants of Sermsuk as well as Sermsuk Beverage Co., Ltd., and Wrangyer Beverage (2008) Co., Ltd., to receive certificates from General Surasak Karnjanarat, Minister of Natural Resources and Environment with Ms. Prasertsuk Chamornmarn, Executive Director of Thailand Greenhouse Gas Management Organization looking on as a well-wisher. The event took place at the "Let's Join Farces to Reduce Global Warming 2018" award ceremony held at Centara Grand at Central Plaza Ladprao.

To enhance water efficiency and develop solutions to minimizing water consumption as part of the Company social responsibility, Sermsuk joined the Water Footprint Assessment initiative dedicated to analyzing and assessing the water consumption and waste water throughout the production process, both directly and indirectly to ensure sustainable industrial development.

To that effect, the Pathumthani facility joined the Water Footprint Assessment initiative sponsored by the Water Institute for Sustainability, The Federation of Thai Industries, and the Department of Groundwater Resources to analyse and assess the water consumption throughout the product life cycle in alignment with international standards. The study took into consideration the environmental impact from water consumption and the quality of the waste water discharged into the natural water sources. The objective was to promote water efficiency and the design of products that make use of water resources for maximum benefits, leading to lower costs of production with concern for environmental sustainability and the importance of water resources.

The efforts resulted in Crystal in the 600-ml, 1-liter, and 1.5-liter bottles being the first drinking water to have received Water Footprint certification and Sermsuk Plc's Pathumthani facility becoming one of the 15 model plants in Thailand that joined in the Water Footprint Assessment. The initiative will be extended to Sermsuk's other production facilities. Mr. Prawat Veeravanich, Deputy General Manager-Pathumthani Plant received the Water Footprint certificate for Crystal in the 600-ml, 1-liter, and 1.5-liter PET bottles from Miss Jongjit Niranathmateekul, Director General of Department of Underground Resources on August 3, 2018 at The Emerald Hotel Ratchada, Bangkok.

## Human and Labor Rights

For 2018, Sermsuk's human resource development was dedicated to enhancing the knowledge, skills, and capabilities necessary for the performance of duty for both new and existing employees at all levels and across all functions. The extensive training encompasses in-house and public training to achieve the common goals in line with Sermsuk's Core Values:

To devise an annual training plan, information concerning corporate goals, strategies, policies as well as survey results from different functions at all the plants were taken into consideration. The training programs provided were categorized into 4 groups as follows:

**Sales and services**

1. Skill enhancement for sales teams
   - 8 steps to productive store visits
   - How to win over customers
   - Sales closing techniques
   - How to overcome formidable competition and become a sales professional
   - Techniques to boost sales of 16oz est
   - Effective on-the-job training
   - Personality traits of successful salespeople
2. Professional presentation techniques
3. Coaching and feedback skills for district sales supervisors
4. Coaching and feedback skills for regional sales supervisors
5. High impact negotiation

**Product quality standard management**

1. FSSC 22000 requirements and internal inspection
2. Creating awareness about GMP/HACCP standards toward achieving FSSC 22000 for operating staff
3. Food allergen control
4. Food defense
5. HALAL standards

**Efficiency and productivity improvement in the plants**

1. Smart People Smart Work: Developing a Work System in the Plants
2. Top productivity leader
3. Total Productive Maintenance (TPM) through small group activity (SGA) for success
4. Greenhouse gas emission management through Corporate Carbon Footprint and Product Carbon Footprint initiatives
5. Lean Six Sigma
6. TPM Assessment for Audit TPM
7. Energy conservation in food industry plants

**General administration and management**

1. Train the Trainer with OJT Style
2. Confined space safety for authorized persons, supervisors, and workers
3. Techniques to erect scaffolding
4. Information about social security
5. The 7 Habits of Highly Effective People
6. Excel training workshop for staff
7. Occupational Health & Safety and Environment Committee
8. Truck driving safety

## Summary of human resource development in 2017

(January - August 2018)

Total employees

**6,269**

Total number of employees undergoing training

**5,778**

Total training hours spent on formal training

**41,670**

*(an average of 6.64 hours per employee)*

## Corporate Engagement and Community Development

Sermsuk Public Company Limited pledges to operate business with commitment to both CSR-in-process and CSR-after-process. Throughout 2018, Sermsuk carried out a wide array of socially beneficial activities and initiatives at the headquarters as well as its plants across the country. The demonstrated commitment to corporate-wide social initiatives has earned Sermsuk a good corporate image, wide acceptance from the community and society, consumer trust, employees' sense of pride, and greater business opportunities in addition to delivering benefits for the community and society as a whole.

**Sermsuk received the CSR-DIW Continuous Award for the 10th consecutive year**

As a leading beverage company, it is imperative to commit itself to social responsibility. The relentless commitment of Sermsuk Public Company Limited to social responsibility has resulted in the Company having achieved the CSR-DIW Continuous Award for 10 consecutive years. Sermsuk has joined the CSR-DIW Program (Corporate Social Responsibility, Department of Industrial Works) since 2009. The attainment of the award provides proof of the Company's commitment to social responsibility in alignment with the guidelines set forth by the Department of Industrial Works to promote continuous practices on CSR among industrial plants to benefit the community. The efforts have earned the Company trust, confidence, and acceptance from the community, leading to harmonious coexistence among the plant, the community, and the environment in a sustainable way.

On August 17, 2018, Mr. Wanchai Saengprae and Mr. Taweesak Ampanate along with executives and staff from Sermsuk's five Plants received the CSR-DIW Continuous Award and certificates from Mr. Pasu Loharnchun, Permanent Secretary of Industry at Makkhawan Rangsan Room, Thai Army Club Viphavadi Road, Bangkok.

**Support for the Pracharath project to promote the use of loincloths to create happiness for the community**

In line with the goals of the Community-Based Economic Development and Pracharath (Private Sector) Working Team to drive tangible community-based economic development, Sermsuk, a member of ThaiBev, pledges to provide support to this noble cause. To that effect, the Company rolled out a socially-responsible activity under the theme of the Use of Thai Loincloths to Create Happiness for a Sustainable Community.

On April 10, 2018, Crystal drinking water by Sermsuk Public Company Limited launched the Use of Thai Loincloths to Create

Happiness for a Sustainable Community project to bring happiness to Thai people and society. The project was designed to support the Pracharath Project in three dimensions: creating income to enhance cash flow in "the community", building pride in Thainess among "Sermsuk employees" across the country, and helping drive the Pracharath Project. To achieve the objectives, the Company ordered the uniform of the northeastern sales team from the Amnat Charoen Weaving Community made from loincloths in blue and white, the same color scheme as Crystal drinking water which signifies happiness. The uniform is to be worn every Friday to jazz up the service in addition to promoting Thainess and establishing a closer relationship with customers.

Sermsuk Public Company Limited has taken pride in being part of the Pracharath Project to increase household income for the community, support the use of locally made products and bring happiness to consumers. The Company resolves to provide further support for other activities initiated by the Community-Based Economic Development and Pracharath (Private Sector) Working Team to give back to the public and society.

**Crystal Open House**

2018 marked the 2nd year of Crystal Open House, which opened up opportunities for 60 high-school students from schools nationwide to visit the plant and observe the production process of Crystal drinking water. The activity was designed to provide experience and knowledge outside the classroom for students in the manufacture of quality drinking water that meets internationally recognized standards. The open house program also featured an activity dedicated to raising the environmental awareness of the Thai youths, equipping them with insights into environmental conservation and the upcycling of waste packaging In 2018, Sermsuk donated Upcycling Stations, the bins for separation of "caps", "labels", and "PET bottles", to the participating schools. The separated materials can be converted into various upcycled products to create value for the materials and generate income for the schools.

Crystal Open House includes visits to all Sermsuk plants including Pathumthani Plant, Chonburi Plant, Nakorn Sawan Plant, Surat Thani Plant, Nakorn Ratchasima Plant as well as Kaenkwan Plant in Khon Kaen of ThaiBev Group.

**CRYSTAL organizes the "Super Fun English Class with CRYSTAL"**

CRYSTAL, Thailand's number one quality drinking water, continues to support the country's development by helping Thai children sharpen their English skills. The company, in collaboration with ANGKRIZ English Academy, led by "Kru Loukgolf - Kanatip Soonthonrak" and "Nine-Naphat," Crystal's intelligent and classy presenter, today held the "Super Fun English Class with CRYSTAL," inspiring a new generation to improve their potential by communicating more effectively in English.

The Super Fun English Class with CRYSTAL was held at school for students to learn about the process involved in producing quality drinking water, students received practical English tips from Kru Loukgolf and Nine, who motivated them to use English as a communications tool to prepare for the continued integration of the ASEAN Economic Community (AEC).

The activity concluded with a ceremony to grant scholarships to qualified students from both schools, together with the presentation of an Upcycling Station. Plastic bottles, caps, and labels can be separated and deposited in the Upcycling Station, an innovative container that provides a convenient way to recycle. CRYSTAL is pleased to provide support for improved English skills for Thais, together with encouraging environmentally-friendly practices.

**Community Workout by Fitfest and Crystal – A HiiT Walk to Burn Fat**

To catch up with the latest trends on health and wellness, Crystal drinking water organized a HiiT Walk entitled Community Workout by Fitfest and Crystal to encourage Thai consumers to have a healthy lifestyle by doing exercise and drinking quality water. The activity took place amid the pleasant ambience of 100 Years CU Park on the western edge of Chulalongkorn University campus on April 9, 2018. The event was well attended by over 500 participants led by Nai Napat, presenter of Crystal drinking water, together with Woody Wutthitorn, Namcha Cheranut, and Dome Pakorn.

HiiT Walk is a workout in which you alternate running and walking to the background of music. The switch between slow and fast paces helps you burn fat and lose weight faster while building muscles simultaneously. A HiiT walk is easy and can be done anywhere at any time. It includes two steps: walk up steps at a fast pace and walk back down at a slow recovery pace. The trick is to alternate two minutes of moderately paced walking with one minute of fast walking and three minutes of sprinting. For the first 15 minutes, the body will burn the calories consumed in that day while during the next 15 minutes, it will burn off the calories consumed 48 hours earlier. The next 15 minutes is when the fat under the skin will be burned. By following these simple steps, you can be strong and healthy.

## Occupational Promotion in Hydroponics and Laying Hen Farming Project for the Disabled and Caregivers

Sermsuk Plc.'s Nakhon Ratchasima Plant in conjunction with Nakhon Ratchasima Employment Office, Suranaree University of Technology, and The Second Army Area has carried out the Occupational Promotion in Hydroponics and Laying Hen Farming Project for the Disabled and Caregivers during 2016-2018.

The project was dedicated to providing occupational training to the disabled and caregivers including disabled military men, children, spouses, and parents with disabilities of military men, and the handicapped who have registered with Department of Empowerment of Persons with Disabilities. The efforts encompassed training at the Suranaree University of Technology farm, building facilities for hydroponic and mushroom growing and chicken coops.

Since 2016, the project has provided training to a total of 111 persons with disabilities and caregivers. In addition to creating more household income, the project was also a means of treatment and rehabilitation, both physically and mentally, empowering the disabled to live in the community and society with dignity and to become more self-reliant sustainably.

**Voluntary Social Activity**

To encourage employees at all levels to take part in socially-responsible efforts, Sermsuk carried out various projects under the theme of "Voluntary Social Activity" in communities surrounding their plants throughout the country in cooperation with government officers, enterprises, community leaders, and volunteers as follows:

- The Surat Thani Plant organized the Promotion of Safety Culture in Schools and the Community project at Ban Na Khao School, Surat Thani in which the volunteers were engaged in the painting of school buildings and playground equipment along with the upgrading of electrical wiring and light fixtures, and providing fire extinguisher training for school staff and locals.
- The Nakorn Sawan Plant conducted the CSR Activity for Society project at Wat Chom Khiri Nakprot and Chom Khiri Nakprot School in Nakorn Sawan. The activities included renovating, cleaning, and painting structures in the temple as well as cleaning and upgrading the school buildings and playground.
- The Chonburi Plant organized the Mangrove Forest Restoration project at Khlong Kure Nong Mai Daeng, Chonburi in which the volunteers joined in growing mangrove trees and cleaning up the areas as a tribute to HM King Maha Vajiralongkorn Bodindradebayavarangkun.

# Policy and Business Overview

## 1. Policy and Business Overview

### Business Overview and Development

Sermsuk Public Company Limited ("Sermsuk") 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 Brands Limited, a direct wholly-owned subsidiary, completed the sale of "est" trademark to Super Brands Company Pte Ltd. that is Thai Beverage PLC 's indirect wholly-owned subsidiary. The earning will be spending on strengthening existing business operations such as manufacturing and distrubution 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.

On December 28, 2015, Thai Beverage Logistics Company Limited sold the Company's common shares a totaling 171,923,138 shares or representing 64.66% of total paid-up capital to So Water Company Limited, which is indirect subsidiary of the group of Thai Beverage PLC that holds 100% of the total share in such company. The change is only for internal shareholding restructuring purposes of major shareholder and there is no impact on the Company's 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.

# Policy and Business Overview

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

### Vision

Sermsuk Public Company Limited's new corporate vision is to be a leading manufacturing and distribution beverage company in Thailand.

### Mission

The Company's mission is "To Fulfill Happiness" with high quality beverage products for Thai consumers and customers in order to enhance the stability and sustainability of its business growth.

### Business Objectives and Plan

For the non-alcoholic drinks business, the Company was dedicated to streamlining its business strategies to achieve Thai Beverage Public Company Limited's Vision of 2020 with a focus on Four Business Pillars as follows:

**1st Business Pillar:** To expand the Company's product portfolio, effectively manufacturing and managing the brands to address the needs of every consumer group.

**2nd Business Pillar:** To adopt routes-to-market methodology for optimizing management and distribution in the most productive way possible to expand into new sales channels and accommodate consumer needs extensively.

**3rd Business Pillar:** To enhance production capacity and efficiency by joining forces with companies under ThaiBev to increase production capacity to cater to market growth and demand.

**4th Business Pillar:** To carry out business in a sustainable manner with concern for society and the environment in the areas of water, $CO_2$, and operating impacts on communities surrounding the plants to achieve sustainable business operations.

### 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, competitors' strengths and weaknesses, competitors' 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, the Company also focuses 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. In the past two years, in particular, with the goals of increasing sales and distribution, the

# Policy and Business Overview

Company has focused on training and developing the knowledge, techniques, and skills of its sales staff at all levels on an ongoing basis.

**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 but no less than 40% of the consolidated net profit for each accounting period after deducting the Legal Reserve and incurred losses (if any) corresponding to the annual operating results. This is achieved through propelling business growth as well as increasing income and profit through the implementation of effective marketing that creates demand for the Company's products and drives 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, the Company 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 increased to Baht 30 million; Baht 100 per share |
| 1969 | The registered capital increased to Baht 45 million; Baht 100 per share |
| 1986 | The registered capital increased to Baht 105 million; Baht 100 per share |
| 1991 | The par value was changed from Baht 100 per share to Baht 10 per share |
| 1994 | Sermsuk became a listed company with a registered capital of Baht 260 million |
| 1997 | The registered capital increased to Baht 265 million; Baht 10 per share |
| 2001 | The Company reduced its registered capital by Baht 542,340 (54,234 shares) which made the Company's remaining Registered Capital of Bath 264,457,660 (26,445,766 shares). Later the Company capital increase by Baht 3,500,000 which made the Company Registered Capital of Baht 267,957,660 (26,795,766 shares) |
| 2003 | The par value was changed from Baht 10 per share to Baht 1 per share. |
| 2009 | The Company reduced its registered capital by Baht 2,057,176 which made the Company's remaining Registered Capital of Bath 265,900,484 (265,900,484 shares). |

# Policy and Business Overview

**Business Expansion**

| | |
|---|---|
| 1952 | The Company's Silom Plant started operations |
| 1967 | The Sermsuk 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 plant |
| 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 |
| 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 Sermsuk YHS Beverage Co., Ltd. (Currently known as Sermsuk 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 Strokely 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" and "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, Tropicana and Twister. |
| | Started the production and distribution of "est" products on November 2, 2012 |
| | Sermsuk 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 flavors. |
| | Added 1 litre PET bottle packaging for drinking water "Crystal" |
| | The distributor of "Wrangyer" energy beverage |
| | The distributor of fried seaweed "Onori" |

# Policy and Business Overview

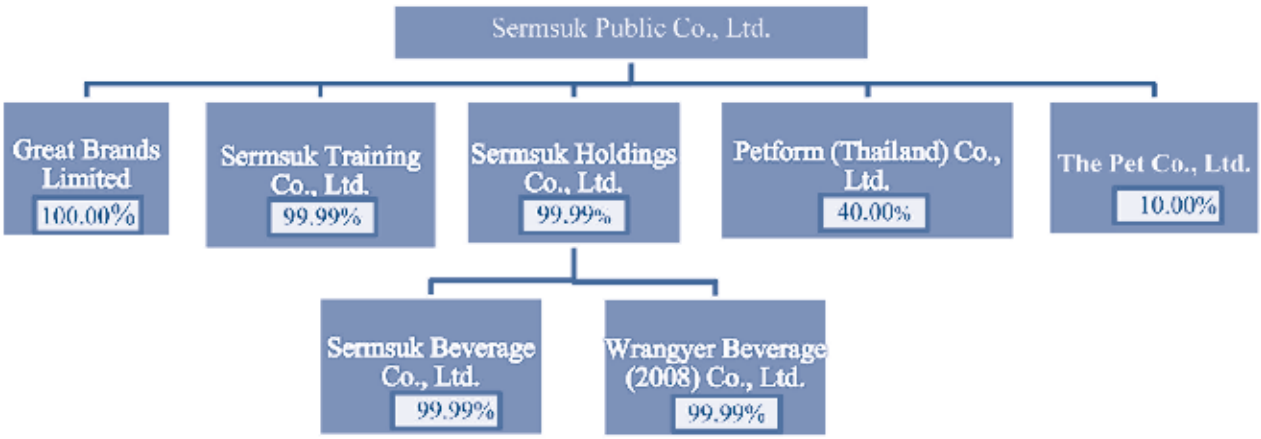
| | |
|---|---|
| 2014 | Launched 2 innovative packages in a 16-ounce glass bottle and a 1.6-litre PET bottle respectively. Also, rolled out 3 new packages for est, the "325-ml est Sleek can", "250-ml est sleek can" and "250-ml est cool hand" glass bottle non-returnable. Started manufacturing and distributing sugar-free "est free" |
| | The sale transaction of "est" brand and trademark to Super Brands Company Pte. Ltd., On 23 December 2014 |
| 2015 | "est" added "Lychee Pear" flavor to its portfolio, in a 325-ml. sleek can and a 490 ml. PET bottle and later 1.6 liter PET bottle in January. |
| | Furthermore, there were 2 new products launch which were "100 Plus" and "Jubjai" in February and March, respectively. |
| | Ranger has been exported to the Malaysia market. |
| | The Company started distribution of Soda Chang. |
| | Oishi green tea added new flavors ranging from 1) Oishi Green Tea Watermelon-flavored in 380-ml. PET bottle, 2) Oishi Chakuza Sparkling Green Tea Honey Lemon Flavored, Black Tea Lemon in 320-ml. sleek can, 3) Oishi Fruito 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. |
| 2016 | Launched grapeberry-flavored "est" in a 250-ml can as well as 490-ml, 515-ml, 1-liter, 1.6-liter PET bottle, and 12-ounce, and 16-ounce RB in March. Later in July, the new est orange-flavored cola in a 250-ml can and 490-ml, 515-ml, 1-liter, and 1.6-liter PET bottle. |
| | For Oishi beverage, Oishi in December launched a new fruit tea product from Japan called Oishi-Kyoho-Grape in a 380-ml PET bottle. |
| | Later in December, Oishi Sakura Strawberry flavor in 380-ml and 500-ml PET bottles was introduced. |
| | Launched new soda water under the Rock Mountain brand, produced using cold infusion technology. Available in non-returnable 325-ml glass bottle. |
| | Added berry-flavored 100 Plus in a 445-ml bottle in December. |
| | The agreement of the Company's subsidiary to produce and distribute Gatorade and Lipton in PET bottles and cans came to an end. However the Company continues to produce and distribute returnable glass bottles. |
| 2017 | "est" added Hawaiian Punch flavor to its portfolio in a 250-ml can, as well as 490-ml, 515-ml, 1-liter, 1.6-liter PET bottle, and 12-ounce RB in February. |
| | Launched Rock Mountain soda water in 400-ml RB in January. |
| | est added Melon flavor Bingsu in 390-ml, 515-ml, 1-liter, and 1.6-liter PET bottles and 12-ounce RB and Mango flavor Bingsu in 390-ml, 515-ml, 1-liter, and 1.6-liter PET bottles. |
| | Oishi Green Tea Yuzu Orange flavor in a 380-ml PET bottle was introduced in November. |
| 2018 | Launched 100 Plus Grape Berry Flavor in a 370-ml bottle in March. |
| | Introduced Sarsi in a 250-ml non-returnable glass bottle in July. |
| | Terminated the distribution of the Lipton Ice Tea in glass bottle in June. |

# Policy and Business Overview

## 1.3 The Company's Shareholding Structure

Sermsuk Public Company Limited's major shareholders are So Water Co., Ltd. and SS National Logistics Co., Ltd. The Company has an indirect subsidiary company, Sermsuk Beverage Co., Ltd., which manufactures, contract Manufactures and distribute 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., share is held by Sermsuk Holdings Co., Ltd., a direct subsidiary company, established on November 23, 2006 with the main objectives of 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, which use in PET bottles, and plastic closures production. 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: No. 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310

Telephone: 0-2783-9000
Fax: 0-2783-9092-3
Main Business: Shareholdings and investment management

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

# Policy and Business Overview

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

Location of Head Office: No. 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310

Telephone: 0-2783-9000

Fax: 0-2783-9092-3

Main Business: Human resource development

| Number and Type of Issued Capital | | Number of shares owned by the Company | |
|---|---|---|---|
| Ordinary Shares | Par Value | Number of Shares | % |
| 1,000,000 | Baht 10 | 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 of shares owned by the Company | |
|---|---|---|---|
| Ordinary Shares | Par Value | Ordinary Shares | % |
| 1,000,000 | HKD 1 | 1,000,000 | 100 |

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

Location of Head Office: 85 Moo 11, Bangnga-Thaklong Road, Khaosamorkorn, Tahwung, Lopburi 15180

Telephone: 0-3648-9116-7

Fax: 0-3648-9115

Main Business: Manufacture and distribution of PET bottles and closures.

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

# Policy and Business Overview

**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 of shares owned by the Company | |
|---|---|---|---|
| Ordinary Shares | Par Value | Ordinary Shares | % |
| 700,000 | Baht 100 | 70,000 | 10 |

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

**Sermsuk Beverage Co., Ltd.** (Indirect Subsidiary)

Location of Head Office: No. 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310
Telephone: 0-2783-9000
Fax: 0-2783-9092-3
Main Business: Manufacture and distribution of beverages

| Number and Type of Issued Capital | | Number of shares owned by Sermsuk Holdings Co., Ltd. | |
|---|---|---|---|
| Ordinary Shares | Par Value | Ordinary Shares | % |
| 68,958,615 | Baht 10 | 68,958,613 | 99.99 |

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

Location of Head Office: No. 90 CW Tower, 31st 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310
Telephone: 0-2783-9000
Fax: 0-2783-9092-3
Main Business: Manufacture and distribution of energy drinks

| Number and Type of Issued Capital | | Number of shares owned by Sermsuk Holdings Co., Ltd. | |
|---|---|---|---|
| Ordinary Shares | Par Value | Ordinary Shares | % |
| 20,000,000 | Baht 10 | 19,999,980 | 99.99 |

# Policy and Business Overview

## 1.4 Related parties of the Company and its subsidiaries

The major related parties of the Company and its subsidiaries are;

*1. Petform (Thailand) Co., Ltd., (Sermsuk PLC owns a 40% stake)*

Main Business: Manufacture and distribution of plastic preform and PET bottles

Relationship: The Company has reached deals with Petform for the following purchase volume of plastic preform and PET bottles.
- Plastic closore represented 60% of total annual purchases
- PET bottles represented 35% of total annual purchases

The purchasing approach: The Company has reviewed the price structure in comparison with market prices 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

The purchasing approach: The Company has reviewed the price structure in comparison with market prices 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 annually.

*4. Thai Drinks Company Limited (Direct subdiary company of Thai Beverage Public Company Limited)*

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

Relationship: The Company purchased for 100% of the total annual purchases of CSD concentrate.

The purchasing approach: The Company has reviewed the price structure in comparison with market prices Purchases were made in volume and maintained at the mutually agreed prices for 1 year.

*5. Oishi Trading Co., Ltd (Direct subsidiary company of Thai Beverage Public Company Limited)*

Main Business: Operator of Japanese restaurants and manufacturer of Oishi Green Tea, Chakuza, Fruito, Kabusecha, and O Herb

Relationship: The Company is beverages Original Equipment Manufacturer (OEM), manufacture and distribute Oishi green tea for returnable bottles and distribute Oishi green tea for non-returnable bottles.

# Policy and Business Overview

The purchasing approach: The Company has reviewed the price structure in comparison with the historical prices. Purchases were made in volume and maintained at mutually agreed prices for 1 year.

6. ***Modern Trade Management Co., Ltd***

***(Direct subsidiary company of Thai Beverage Public Company Limited)***

Main Business: Trading, wholesale and retail of alcoholic beverages, beer, soda, and beverage products

Relationship: The Company sells the finished goods through modern trade channels

The purchasing approach: The Company has reviewed the price structure in comparison with the historical prices and purchases were made in volume and maintained at mutually agreed prices for 1 year.

7. ***Piromsurang Co., Ltd (Direct subsidiary company of Thai Beverage Public Company Limited)***

Main Business: Distributor alcoholic beverages, and non-alcoholic beverages.

Relationship: The Company has appointed Piromsurang as the distributor of all the Company's product line-ups

The purchasing approach: The Company has reviewed the price structure in comparison with the historical prices. Purchases were made in volume and maintain at mutually agreed prices for 1 year.

8. ***Beer Thip Brewery (1991) Co., Ltd***

***(Direct subsidiary company of Thai Beverage Public Company Limited)***

Main Business: Manufacturer of beer, drinking water and soda

Relationship: The Company has hired Beer Thip Brewery to produce drinking water products.

The purchasing approach: The Company has reviewed the price structure in comparison with the historical prices. Purchases were made in volume and maintained at mutually agreed prices for 1 year.

9. ***Beer Thai (1991) Co., Ltd***

***(Direct subsidiary company of Thai Beverage Public Company Limited)***

Main Business: Manufacturer of beer, drinking water and soda

Relationship: The Company has hired Beer Thip Brewery to produce drinking water products.

The purchasing approach: The Company has reviewed the price structure in comparison with the historical prices. Purchases were made in volume and maintained at mutually agreed prices for 1 year.

# Business Operations

## 2. Business Operations

### Revenue Structure

Unit: Million Baht

| Type of Revenues | 2018 (12 Months) | | 2017 (12 Months) | | 2016 (9 Months) | |
|---|---|---|---|---|---|---|
| | Revenue | % | Revenue | % | Revenue | % |
| Revenue from carbonated soft drinks | 4,548 | 42.03% | 4,379 | 41.22% | 3,388 | 41.84% |
| Revenue from non-carbonated drinks | 6,272 | 57.97% | 6,244 | 58.78% | 4,709 | 58.16% |
| Total | **10,820** | **100.00%** | **10,623** | **100.00%** | **8,097** | **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 under the "Crystal" trademark

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

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

   Soda water under the "Rock Mountain" trademark

   Herbal drink under the "Jubjai" trademark

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

   Carbonated soft drinks under the "est" trademark

   Healthier carbonated soft drinks under the "100 Plus" trademark

   Carbonated soft drinks under the "Sarsi" 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

**1st Business Pillar:** To expand the Company's product portfolio, effectively manufacturing and managing the brands to address the needs of every consumer group.

**2nd Business Pillar:** To adopt routes-to-market methodology for optimizing management and distribution in the most productive way possible to expand into new sales channels and accommodate consumer needs extensively.

**3rd Business Pillar:** To enhance production capacity and efficiency by joining forces with companies under Thai Bev to increase production capacity to cater to market growth and demand.

**4th Business Pillar:** To carry out business in a sustainable manner with concern for society and the environment in the areas of water, $CO_2$, and operating impacts on communities surrounding the plants to achieve sustainable business operations.

**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

**"est" Carbonated Soft Drink**

The competition in the domestic carbonated soft drink market last year grew highly intense, resulting in competitors rolling out numerous marketing campaign strategies to vie for shares in the market worth over 50 billion baht. In 2018, est continued its momentum following on from the success of featuring the hottest boy band Got 7 as the brand ambassadors, launching the new "est Cola Zaa-Zeed-Sud-Kua, Muan-I-Lee with GOT7" campaign to bring consumers closer to their idols. The campaign featured a new look GOT7, Thailand's most popular boy band, performing a mixed Korean-style and Thai bamboo dance focusing on returnable bottle package.

To continue from last summer's campaign that let consumers choose their preferred prize, this year's Zaa Zeed Rub Summer and Zaa Zeed Luck Dai offered greater choices of fabulous prizes for teens and consumers throughout the country.

In an effort to make est Play a drink of choice for teens, est launched drinking Bingsu, a Korean-style shaved ice dessert, including "est Play Melon Bingsu" and "est Play Mango Bingsu".

**"Crystal" Drinking Water**

In 2018, Crystal continued to create more value for the brand, rolling out a string of marketing and promotional activities that focused on product quality and extensive distribution encompassing all areas nationwide . Efforts also extended to carrying out activities benefiting society and the environment to drive the growth of the Crystal brand and the Thai drinking water market as well as strengthen Crystal's sustainable market leadership.

# Business Operations

A new marketing campaign under the concept "When you order drinking water, call for Crystal", reinforced the brand's position as the quality drinking water that is differentiated from other brands.

To promote a healthy lifestyle among consumers, Crystal launched the "Community Workout" program to encourage Thais to stay healthy by exercising. Crystal was also committed to environmental conservation.

In addition to being the No.1 drinking water in the hearts and minds of Thai consumers, Crystal has achieved quality and environmental certifications from leading institutions, both locally and internationally. Crystal is the first bottled drinking water in Thailand to have received certification from NSF International of the U.S. Other certifications include the ISO 22000-Food Safety Management Systems, Halal certification which certifies that a company's products can be lawfully consumed by Muslims, and Corporate Carbon Footprint certification as a role model for other businesses in its efforts to calculate, reduce, and offset its greenhouse gas emissions.

Crystal also received the rights to use Carbon Footprint labeling by the Thailand Greenhouse Gas Management Organization and Thailand Environment Institute and achieved the Quality Award from Thailand's Food and Drug Administration for five consecutive years. Most recently, Crystal was certified with the Water Footprint Label which reflected its efficient water use with minimum impact on water resources.

Aside from its dedication to creating quality products, Crystal has pledged to achieve business sustainability with concern for the environment. The continued commitment resulted in Crystal being the first bottled drinking water in Thailand to have been certified Carbon Footprint Reduction Labels. Crystal also took part in the No Plastic Bottle Cap Seal program organized by the Department of Pollution Control in February 2018 to minimize the impact of plastic waste on the environment.

**"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 2018, Oishi, the leader in the ready-to-drink green tea market, continued to drive innovations, introducing Oishi Japanese Green Tea Yuzu Orange Flavor with Nala De Coco. To strengthen its market leadership, Oishi rolled out the dazzling summer campaign "Oishi O Tang Koo You Luek Dai" in which consumers, for the first time in the ready-to-drink green tea market, stood a chance of winning a prize of their choice. A TV commercial entitled "O Tang Koo You Luck Dai" ("Both prizes are fabulous, and you can choose either") with the popular singer Pech Palitchoke as its presenter as well as other promotional media were used to create greater awareness throughout the campaign, which was designed to boost sales during summer and strengthen the Oishi brand.

**100 Plus Functional Carbonated Soft Drink**

As the move toward consumer health consciousness has accelerated, the 100 Plus functional carbonated soft drink caters for this growing trend, providing refreshment as well as replenishing the vital nutrients and fluids lost during exercise. In 2018, 100 Plus introduced a new grape berry flavor to offer consumers greater variety and also kicked off the "Fly off to chase the Northern Lights in Iceland with Toon Bodyslam" campaign.

# Business Operations

**"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 garnered a positive consumer response.

## 2.3 Products and Services Sourcing

Sources of key materials are as follows:

- Concentrates for est Cola, est Play and est sugar free are sourced from Thai Drinks Co., Ltd., related company who is the 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 imported from outside Thailand.
- Concentrates for Oishi Green Tea in returnable bottles are sourced directly from Oishi Group Public Company Limited, a local producer
- Distributed goods including Oishi Green Tea, Jubjai herbal drink, Rock Mountain soda are sourced from product owners and manufactures.
- Other materials and packaging for production such as liquid sugar, high fructose, glass bottles, PET bottles, aluminum cans, crown seals, screw caps, $CO_2$, chemical, plastic cases, and paper trays are sourced from local distributors.

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

# Risk Factors

In addition to the five plants, the Company has two subsidiaries with manufacturing facilities as follows:

1. Sermsuk Beverage Co., Ltd., located in the Amata City Industrial Estate at No. 700/368, Moo 6, Nongmaidaeng Sub-district, Muang District, Chonburi.
2. Wrangyer Beverage (2008) Co., Ltd., located at No. 63, Moo 3, Phrapratone-Baanpaew Rd., Thanonkhad Subdistrict, Muang District, Nakhon Pathom.

## 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

**Liquid sugar:** Early this year, the Government floated the domestic sugar price, which brought the price of liquid sugar down as there was no need to send moneyto the Cane and Sugard Fund. However, there might be a risk in climatic changes that would affect the sufficiency in sugar availability for production. The Company has committed with its suppliers for the volume of luquid sugar required for production to ensure access to enough liquid 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, which is normally driven by oil prices, has been another major cost for the Company last year, with the rising oil prices leading to the higher prices of resins, the main feedstock for PET bottles. However, thanks to the joint efforts of the Company and suppliers in designing a lighter PET bottle, the net price of bottles increased slightly.

**Aluminum Can:** The prices and volumes of aluminum cans were negotiated with the suppliers in advance throughout the year. Over the past year, aluminum prices fluctuated within small ranges. The Company managed to purchase the aluminum cans at lower prices compared to the previous year, resulting in a decrease in packaging costs.

In addition to the aforementioned liquid sugar and PET, other material costs included metal crown caps and plastic caps. To gain bargaining power, the Company combined its demand for similar materials with other companies in the Group, allowing the Company to purchase the products in bulk at lower 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 with highly intense competition and vying for market share. 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 workers were employed in some necessary areas as well as taking all possible measures to control and reduce the costs associated with labor.

# Risk Factors

### 3.1.3 Excise tax rate:

The excise tax rate is a major external cost and is regulated by the Government. Any adjustment of the tax rate and basis of calculation can be a significant risk factor. Late last year, the Government replaced the existing ex-factory prices and costs with suggested retail prices for the excise tax base computation and imposed an additional sugary drink tax. However, the measures did not add to the Company's tax burden as the net rates remained the same.

### 3.1.4 Petro price:

Fuel is a major cost of product distribution. In 2018, the growing demand for crude oil in the global market coupled with the measures to reduce oil production prompted the oil prices to shoot up by 20% compared to the previous year. In response, the Company took several measures to minimize the adverse impacts as follows:

1. After a lapse of the existing fuel supply agreement, entering into a group fuel supply agreement (together with other ThaiBev group companies) resulting in the Company to have more price discount.
2. Executing measures to control diesel usage together with GPS installation to control the speed and fuel use of all trucks and assessing drivers' performance to ensure maximum fuel efficiency.
3. Improving fuel economy, the number of kilometers per liter of petrol, of trucks.
4. Modifying trucks to transport more goods.
5. Managing transport routes to ensure the shortest path and optimize backhauling.

The efforts resulted in a slight increase in the cost of product distribution compared to the previous year.

### 3.1.5 Consumer behavior:

Given the enhanced focus on health among consumers and subsequent changes in consumer behavior toward non-carbonated beverages, juice, and healthier drinks, the Company has adopted a new business approach, positioning itself as Thailand's leading manufacturer and distributor of a full range of food and healthy beverages. The Company's commits itself to driving the Company's sustainable growth by expanding the distribution network to cover all areas nationwide, increasing sales and market share, and making the brand a leading brand that wins the hearts of Thai consumers. This ran concurrent with consolidating. The Company's by pushing the growth of healthy drink products. The Company has taken aim at introducing several new products with the goal to increase the sales of this product range from 56% to 70% by 2021.

### 3.1.6 Change of government policies

Potential changes in the government's policies regarding tax collection, price controls, business laws and industrial regulations etc.

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

# Risk Factors

## 3.2 Production Risks:

The beverage industry requires heavy investment in its plants and machinery. The sharp increase in demand for Crystal drinking water has led to the need to invest in additional drinking water lines to address the needs. In 2018, in an attempt to reduce costs in production and distribution, the Company collaborated with Oishi Group Public Company limited and the subsidiaries of ThaiBev for the manufacturing of Crystal drinking water at their factories.

All of the Company's production lines have achieved the international- recognized certifications for quality and safety such as the Good Manufacturing Practice and Hazard Analysis and Critical Control Point or GMP & HACCP, Food Safety Management System or FSSC 22000, NSF which is the US standard certifying quality of the Company's drinking water product and the FDA to enhance the consumers' confidence in the efficiency of Company's management in product quality and safety.

In 2018, a pallet barcode system has been integrated into the production process to enhance efficiency in storage location identification and enable efficient, accurate trace-back. The system also increases shipping efficiency and avoids costly incorrect shipments. A transport order management system (TOMS) has also been implemented to ensure accurate, on-time shipment of products to customers.

### 3.2.1 New Product Launch Risk

Recognizing the risks associated with new product launches, the Company has prepared four dimensions of risk prevention including people, equipment, raw materials, and production control measures. In the past year, the new product launches enjoyed impressive sales and were well-received by consumers.

## 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. To operate the business, the Company closely follows the movement of the market to make the necessary changes to respond. We also maintain an effective distribution network and constantly train and upgrade our personnel.

In addition, the Company has introduced systems and processes to improve workflow and help management better monitor key aspects of the business. This includes measuring efficiency of sales assets in the market, production asset in the factories, and the environmental impact on business has in the communities where we operate.

## 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 periodically. 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.

### 3.4.2 Stability of Thai 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 imports of new machines, spare parts, and equipment. To reduce exchange rate exposure, the Company has implemented hedging. Moreover, most raw materials and packaging are sourced locally.

# Basic Information

### 3.4.3 Interest Rate Risk:

During the year 2018, the Company had no short-term loans. However, interest rate movement may be a risk factor which the Company needs to consider and evaluate to minimize the costs of funding before making any investment decisions.

## 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

For the year period ended September 30, 2018, So Water Co., Ltd. held 171,954,804 company's shares representing 64.67% 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 of 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.

## 4. Basic Information

| | |
|---|---|
| Location of Head Office : | No. 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310 |
| Registration Number : | 0107537001650 (previously Bor. Mor. Jor. 412) |
| Telephone : | 0-2783-9000 |
| Fax : | 0-2783-9092-93 |
| Issued Shares : | 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.<br>93 Ratchadaphisek Road, Din Daeng,<br>Bangkok 10400<br>Telephone: 0-2009-9000<br>Fax: 0-2009-9991 |
| B) Proxy for Debenture Holder: | -None- |
| C) Auditors: | Miss Nittaya Chetchotiros, Certified Public Accountant No.4439 or<br>Miss. Sureerat Thongarunsang, Certified Public Accountant No. 4409 or<br>Mr. Eakasit Choothamsathit, Certified Public Accountant No. 4195 or |

# Basic Information

Miss Napaporn Sathitthammaporn, Certified Public Accountant No.7494
KPMG Phoomchai Audit Limited
Empire Tower, 48th Floor, 1 South Sathorn Road, Bangkok 10120
Telephone: 0-2677-2000
Fax: 0-2677-2222

D) Legal Consultant: Weerawong, Chinnavat & Partners Ltd.

22nd Floor, Mercury Tower
540 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330
Telephone : 0-2264-8000
Fax: 0-2657-2222

E) Consultant or Manager under Management Contract: -None-

F) Investors Relations: Please Contact K.Nuntaka Watsreevanich

No. 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310

Telephone: 0-2783-9000
E-mail: SSC-comsec@sermsukplc.com

# Shareholders

## 5. Shareholders

### 5.1 Authorized and Paid-up Share Capital

Share capital ordinary shares

For the year period ended September 30, 2018, the Company has an authorized capital of Baht 265,900,484 comprising 265,900,484 ordinary shares valued at Baht 1 per share and a paid-up capital of Baht 265,900,484

### 5.2 Shareholders

**Major Shareholders:**

A list Shareholders eligible for invitation to the 2019 Annual General Meeting of shareholders will be determine in Book of Shareholder's Registration by Record Date on December 3, 2018.

| Name | Number of Shares | % of Total Shares |
|---|---|---|
| 1. So Water Co., Ltd. | 171,954,804 | 64.67 % |
| 2. SS National Logistics Co., Ltd. | 56,199,807 | 21.13 % |
| 3. DBS BANK LTD | 12,500,000 | 4.70 % |
| 4. BANK OF SINGAPORE LIMITED-THB SEG AC | 10,800,000 | 4.06 % |
| 5. UOB KAY HIAN (HONG KONG) LIMITED - Client Account | 7,200,000 | 2.71 % |
| 6. Mrs. Duangkaew Trakulpipat | 576,000 | 0.22 % |
| 7. Captain Narong Phatralacha | 508,000 | 0.19 % |
| 8. Ms. Nanthana Yaemmanas | 280,000 | 0.11 % |
| 9. SS Integration Co., Ltd. | 214,900 | 0.08 % |
| 10. Thai NVDR Co.,Ltd | 187,570 | 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 Sermsuk Public Company Limited 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 separate 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 Structure

## 7. Management Structure

### 7.1 The Board of Directors of the Company

The Board of Directors as at September 30, 2018 consisted of the following Directors:

| Name[1] | Position |
|---|---|
| Mr. Somchai Bulsook | Chairman |
| Mr. Suchin Wanglee | Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee |
| Mr. Chotiphat Bijananda | Vice Chairman No.2, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee |
| Mr. Thapana Sirivadhanabhakdi | Vice Chairman No.3, Chairman of Executive Committee, Chairman of Nominating and Corporate Governance Committee, and Member of Compensation Committee and Member of Sustainability and Risk Management Committee |
| Prof. Dr. Khunying Suchada Kiranandana | Independent Director, Chairman of Audit Committee, and Chairman of Sustainability and Risk Management Committee |
| Prof. Rawat Chamchalerm | Independent Director |
| Ms. Siripen Sitasuwan | Independent Director, Member of Audit Committee and Member of Sustainability and Risk Management Committee |
| Mr. Pramoad Phornprapha | Independent Director, Member of Nominating and Corporate Governance Committee, and Member of Sustainability and Risk Management Committee |
| Mr. Dhitivute Bulsook[2] | Director, Vice Chairman of Executive Committee No. 2, and Member of Sustainability and Risk Management Committee |
| Mr. Sakchai Thanaboonchai | Director |
| Mr. Rangsan Thammaneewong | Director |
| Mr. Sithichai Chaikriangkrai[3] | Director, Vice Chairman of Executive Committee No.1, and Member of Sustainability and Risk Management Committee |
| Mr. Michael Chye Hin Fah[4] | Director and Executive Director |
| Mr. Lester Tan Teck Chuan | Director, Member of Sustainability and Risk Management Committee, Executive Director and President |
| Ms. Tongjai Thanachanan | Director |

# Management Structure

**Remark:** *(1) Mr. Photipong Lamsam was appointed as an Honorary Chairman on January 23, 2017.*
*(2) Mr. Dhitivute Bulsook was appointed as the Vice Chairman of Executive Committee No.3 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No. 2)*
*(3) Mr. Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No.2 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.1)*
*(4) Mr. Michael Chye Hin Fah resigned from Director and Executive Director and Mr.Ueychai Tantha-Obhas was appointed as Vice Chairman No.4 and Vice Chairman of Executive Committee No.1 on 16 November 2018.*

**Names and Number of Authorized Directors (as of 30 November 2018)**

(1) Any of one the following, Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Dhitivute Bulsook, Mr. Sakchai Thanaboonchai or Mr. Lester Tan Teck Chuan, jointly signs with any one of the following Mr. Chotipat Bijananda, Mr. Rangsan Thamnaneewong, Mr. Sithichai Chaikriangkrai or Mr. Michael Chye Hin Fah, totaling two persons jointly sign with the Company's seal affixed.

(2) Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Dhitivute Bulsook, Mr. Sakchai Thanaboonchai, Mr. Chotipat Bijananda, Mr. Rangsan Thamnaneewong, Mr. Sithichai Chaikriangkrai, Mr. Lester Tan Teck Chuan, or Mr. Michael Chye Hin Fah any two of directors jointly sign with the Company's seal affixed on the application or the submission of documents to the Revenue Department, Customs Department, Department of Business Development of the Ministry of Commerce, Office of Foreign Workers Administration, Immigration Bureau, Department of Skill Development, Ministry of Industry, Ministry of Public Health, and other government agencies which relate to the submission of tax report, import and export documents and amendment of document concerning company registration, applications of extension for visa and work permit, and business licenses.

**Orientation**

The Board of Directors requires an orientation for every new director, so that the director will acknowledge the Company's expectation regarding the role, and responsibility of the director, the policy and regulation in company's management that shall be abide by the director; as well as create knowledge and understanding in the business and the operation of the Company. Also, the new director is required to visit all the Company's operating divisions for the readiness of the director.

**Director Development and Training**

The Company encourages and facilitates training courses, organized by the Thai Institute of Directors (IOD), The Stock Exchange of Thailand (SET) and other institutes, for all directors enable them to continuously improve their performance.

**Directorship in other companies**

The Company has carried out policy to allow Chief Executive Officer and President to assume directorship in other companies which the Company invests in, in joint venture companies or any other companies authorized by the Board of Directors to manage those companies according to the Company's policies. The directorship in other companies should not disrupt his main duties in the Company.

**Succession plan**

The Company prepares and monitors the succession plans for the Managing Director and senior executive positions in order to ensure that the Company has executives who are equipped with knowledge, ability, and experience for succession in key positions in the future. Review and reports are made as deemed appropriate. This is to encourage and ensure readiness for senior executives for the purpose of succession in key positions of the Company. The Company arranges for its senior executives to attend Director Certification Program (DCP) or Director Accreditation Program (DAP) organized by the Thai Institute of Directors Association to build a solid foundation of understanding on criteria for their duty performance and responsibility of Directors of listed companies, which enhance their readiness and benefit executives in terms of working to support the Board of Directors.

# Management Structure

**Board of Directors Meetings for the year period ended September 30, 2018**

**The Board of Directors**

| Name | Positions | Number of Board of Directors Meetings | Number of meetings attended |
|---|---|---|---|
| Mr. Somchai Bulsook | Chairman | 7 | 7 |
| Mr. Suchin Wanglee | Vice Chairman No. 1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee | 7 | 6 |
| Mr. Chotiphat Bijananda | Vice Chairman No. 2, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee | 7 | 7 |
| Mr. Thapana Sirivadhanabhakdi | Vice Chairman No. 3, Chairman of Executive Committee, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Sustainability and Risk Management Committee | 7 | 7 |
| Prof. Dr. Khunying Suchada Kiranandana | Independent Director, Chairman of Audit Committee and Chairman of Sustainability and Risk Management Committee | 7 | 7 |
| Prof. Rawat Chamchalerm | Independent Director | 7 | 6 |
| Ms. Siripen Sitasuwan | Independent Director, Member of Audit Committee and Member of Sustainability and Risk Management Committee | 7 | 6 |
| Mr. Pramoad Phornprapha | Independent Director, Member of Nominating and Corporate Governance Committee and Member of Sustainability and Risk Management Committee | 7 | 7 |
| Mr. Dhitivute Bulsook[1] | Director, Vice Chairman of Executive Committee No. 2 and Member of Sustainability and Risk Management Committee | 7 | 7 |
| Mr. Sakchai Thanaboonchai | Director | 7 | 6 |
| Mr. Rangsan Thammaneewong | Director | 7 | 7 |
| Mr. Sithichai Chaikriangkrai[2] | Director, Vice Chairman of Executive Committee No.1 and Member of Sustainability and Risk Management Committee | 7 | 7 |
| Mr. Michael Chye Hin Fah[3] | Director and Executive Director | 7 | 5 |
| Mr. Lester Tan Teck Chuan | Director, Member of Risk Management Committee, Executive Director and President | 7 | 7 |
| Ms. Tongjai Thanachanan | Director | 7 | 7 |

# Management Structure

The meeting exclusively held among the company's directors (excluding directors who are management team) in line with the principle of good corporate governance took place on Friday, August 10, 2018.

**Remark:** *(1) Mr. Dhitivate Bulsook was appointed as the Vice Chairman of Executive Committee No.3 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No. 2)*
*(2) Mr. Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No.2 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.1)*
*(3) Mr. Michael Chye Hin Fah resigned from Director and Executive Director and Mr.Ueychai Tantha-Obhas was appointed as Vice Chairman No.4 and Vice Chairman of Executive Committee No.1 on 16 November 2018.*

## 7.2 The Company Executives

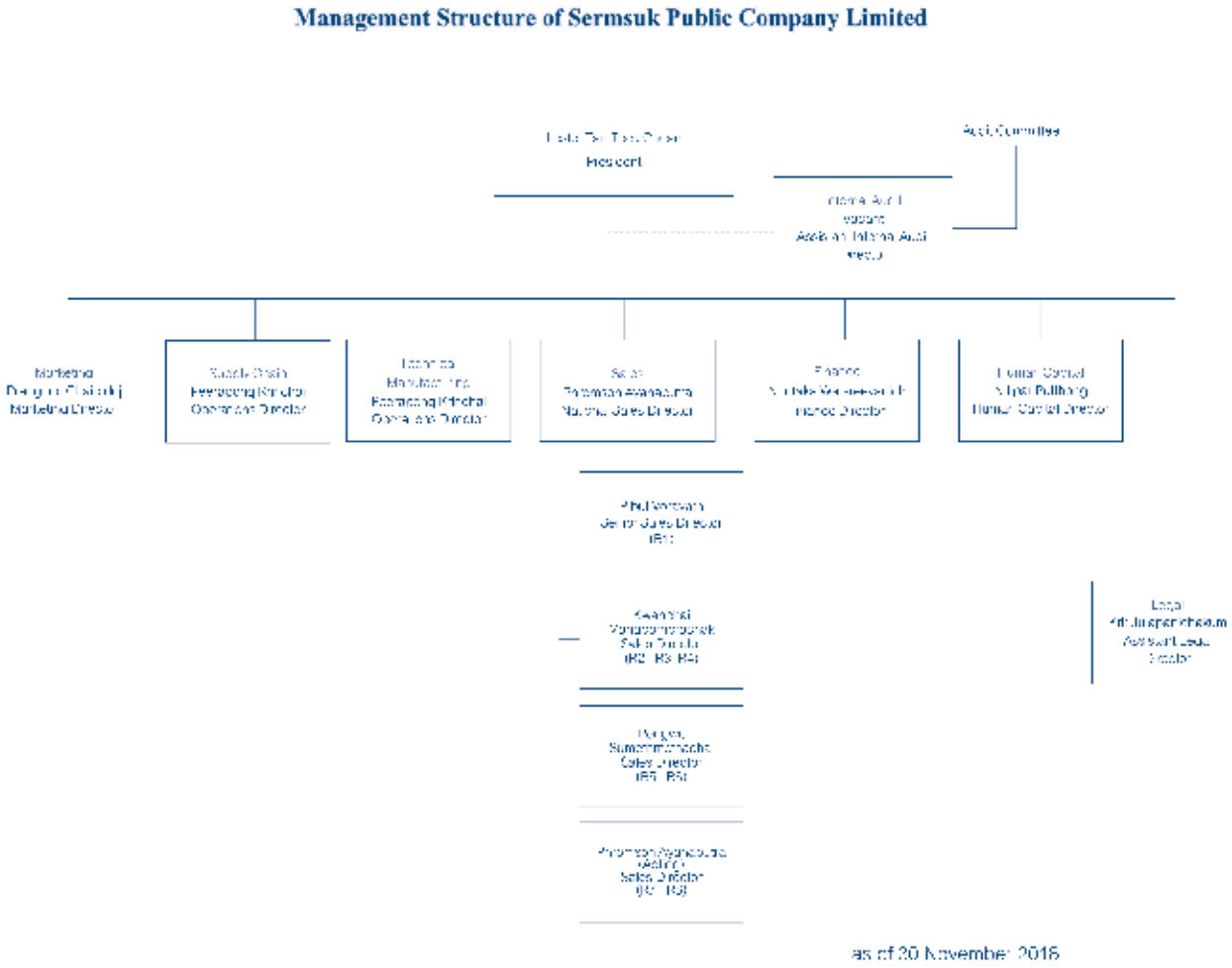
The disclosure of the names and positions of the management structure. The 8 executives of the company for the year ended September 30, 2018 are as follows:

| Names[1][2][3] | Positions |
|---|---|
| 1. Mr. Lester Tan Teck Chuan | President |
| 2. Mr. Peerapong Krinchai | Operations Director |
| 3. Mr. Phromson Ayanaputra[4] | National Sales Director and Acting Sales Director (R7), (R8) |
| 4. Ms. Nuntaka Watsreevanich[5] | Finance Director and Company Secretary |
| 5. Mr. Nitipat Putthong | Human Capital Director |
| 6. Mr. Pibul Voravath[6] | Senior Sales Director (R1) |
| 7. Mr. Kwanchai Mahapornprachak[7] | Sales Director (R2, R3, R4) |
| 8. Mr. Pongwit Sumethmethachai[8] | Sales Director (R5, R6) |

**Remarks:**

1) Mr. Vuttipong Vungsuntitum vacated his position as Vice President-Sales and Acting General Manager-Sales (South) on February 12, 2018 but still serves as an Executive Committee.
2) Mr. Parinya Pernpanich retired from the position as Business & Partnership Development Director on January 1, 2018.
3) Ms. Prangnee Chaipidej was appointed as Marketing Director on October 1, 2018.
4) Mr. Phromson Ayanaputra was appointed as National Sales Director and Acting Sale Director (R7, R8) on May 11, 2018
5) Ms. Nuntaka Watsreevanich was appointed as Company Secretary on February 12, 2018.
6) Mr. Pibul Voravath was appointed as Senior Sales Director (R1) on May 11, 2018.
7) Mr. Kwanchai Mahapornprachak was appointed as Sales Director (R2, R3, R4) on May 11, 2018.
8) Mr. Pongwit Sumethmethachai was appointed as Sales Director (R5, R6) on May 11, 2018.

# Management Structure



# Management Structure

### 7.3 The Company Secretary

The Board of Directors appointed Ms. Nuntaka Watsreevanich, who possesses high competency and has taken courses for the Company Secretary at Thai Institute of Directors Association (IOD) as the Company Secretary effective in 2018. In compliance with the Securities and Exchange Act (B.E. 2535) Section 89/15, the Company Secretary has the following roles and responsibilities:

1. Preparing and keeping the important documents of the Company.
2. Preparing a director registration.
3. Arranging the shareholders' meeting as well as preparing the notice of the shareholders' meeting and the minutes of the shareholders' meeting.
4. Keeping a report of interest filed by a director or an executive.
5. Ensuring compliance with the resolutions of the Board of Directors.
6. Providing comments on relevant laws and notifications.
7. Performing any other acts as assigned by the Board of Directors.

**Share ownership of the Board of Directors and the Executives including spouse and minor child**

| Name | Position | Ordinary Shares | | |
|---|---|---|---|---|
| | | 30 Sep 2017 | 30 Sep 2018 | Increase (Decrease) |
| Mr. Somchai Bulsook | Chairman | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Suchin Wanglee | Vice Chairman No. 1, Independent Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Chotiphat Bijananda | Vice Chairman No. 2 | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Thapana Sirivadhanabhakdi | Vice Chairman No. 3, Chairman of Executive Committee | - | - | - |
| Spouse and minor child | | - | - | - |
| Prof. Dr. Khunying Suchada Kiranandana | Independent Director, Chairman of Audit Committee | - | - | - |
| Spouse and minor child | | - | - | - |
| Prof. Rawat Chamchalerm | Independent Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Ms. Siripen Sitasuwan | Independent Director, Member of Audit Committee | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Pramoad Phornprapha | Independent Director | - | - | - |
| Spouse and minor child | | - | - | - |

# Management Structure

| Name | Position | Ordinary Shares | | |
|---|---|---|---|---|
| | | 30 Sep 2017 | 30 Sep 2018 | Increase (Decrease) |
| Mr. Dhitivute Bulsook[1] | Director, Vice Chairman of Executive Committee No. 2 | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Sakchai Thanaboonchai | Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Rangsan Thammaneewong | Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Sithichai Chaikriangkrai[2] | Director, Vice Chairman of Executive Committee No.1 | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Michael Chye Hin Fah[3] | Director and Executive Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Lester Tan Teck Chuan | Director, Executive Director and President | - | - | - |
| Spouse and minor child | | - | - | - |
| Ms. Tongjai Thanachanan | Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Vuttipong Vungsuntitum | Executive Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Ms. Nuntaka Watsreevanich | Finance Director and Company Secretary | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Nitipat Putthong | Human Capital Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Phromson Ayanaputra | National Sales Director | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Peerapong Krinchai | Operations Director | - | - | - |
| Spouse and minor child | | - | - | - |

# Management Structure

| Name | Position | Ordinary Shares | | |
|---|---|---|---|---|
| | | 30 Sep 2017 | 30 Sep 2018 | Increase (Decrease) |
| Mr. Pibul Voravath | Senior Sales Director (R1) | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Kwanchai Mahapornprachak | Sales Director (R2, R3, R4) | - | - | - |
| Spouse and minor child | | - | - | - |
| Mr. Pongwit Sumethmethachai | Sales Director (R5, R6) | - | - | - |
| Spouse and minor child | | - | - | - |

**Remark:** *(1) Mr. Dhitivute Bulsook was appointed as the Vice Chairman of Executive Committee No.3 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No. 2)*
*(2) Mr. Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No.2 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.1)*
*(3) Mr. Michael Chye Hin Fah resigned from Director and Executive Director and Mr.Ueychai Tantha-Obhas was appointed as Vice Chairman No.4 and Vice Chairman of Executive Committee No.1 on 16 November 2018.*

## 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 Shareholder Meeting, as detailed under Item 10 of the 15 Principles of Good Corporate Governance.

| Remuneration | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of Executives (Unit : Person) | Total Amount (Baht) | No. of Executives (Unit : Person) | Total Amount (Baht) |
| Annual fee | | 2,100,000 | | 1,917,465 |
| Meeting Allowance | | 2,320,000 | | 1,840,000 |
| Director's bonus | | - | | - |
| Total | 15 | 4,420,000 | 15 | 3,757,465 |

# Management Structure

| Names | Positions | Remuneration (Baht) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Director Fee | Meeting Allowance | 2017 Director Bonus | Audit Committee | Compensation Committee | Sustainability and Risk Management Committee | Nominating and Corporate Governance Committee | Executive Committee | Total |
| Mr. Somchai Bulsook | Chairman | 240,000 | 280,000 | - | - | - | - | - | - | 520,000 |
| Mr. Sudin Wangka | Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee | 180,000 | 180,000 | - | 205,000 | 130,000 | - | - | - | 695,000 |
| Mr. Chorphet Rijirondu | Vice Chairman No.2, Member of Compensation Committee and Member of Nominating, and Corporate Governance Committee | 180,000 | 280,000 | - | - | 70,000 | - | 55,000 | - | 515,000 |
| Mr. Thapana Sarwdhamrongkul | Vice Chairman No.3, Chairman of Executive Committee, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Sustainability and Risk Management Committee | 180,000 | 280,000 | - | - | 70,000 | 85,000 | 105,000 | 330,000 | 1,030,000 |
| Prof. Dr. Khanying Suchada Kiranandana | Independent Director, Chairman of Audit Committee and Chairman of Sustainability and Risk Management Committee | 120,000 | 140,000 | | 410,000 | - | 190,000 | - | - | 850,000 |
| Prof. Rawat Chamchalaem | Independent Director | 120,000 | 120,000 | - | - | - | - | - | - | 240,000 |
| Mrs. Siripen Sitasuwan | Independent Director Member of Audit Committee and Member of Sustainability and Risk Management Committee | 120,000 | 120,000 | - | 205,000 | - | 70,000 | - | - | 515,000 |
| Mr. Peerasak Phongvaghi | Independent Director, Member of Nominating and Corporate Governance Committee and Member of Sustainability and Risk Management Committee | 120,000 | 140,000 | - | - | - | 100,000 | 55,000 | - | 415,000 |
| Mr. Dhitivate Bulsook[1] | Director, Vice Chairman of Executive Committee No. 2, Member of Sustainability and Risk Management Committee | 120,000 | 140,000 | - | - | - | 100,000 | - | 320,000 | 680,000 |
| Mr. Sitichai Thanakwanchai | Director | 120,000 | 120,000 | - | - | - | - | - | - | 240,000 |
| Mr. Rungsan Thammanasawang | Director | 120,000 | 140,000 | - | - | - | - | - | - | 260,000 |
| Mr. Sitichai Chaikriangkrai[2] | Director, Vice Chairman of Executive Committee No.1 and Member of Risk Management Committee | 120,000 | 140,000 | - | - | - | 100,000 | - | 260,000 | 620,000 |
| Mr. Michael Chye Hin Fah[3] | Director, Executive Committee Member | 120,000 | 100,000 | - | - | - | - | - | 130,000 | 350,000 |
| Mr. Lester Tan Teck Chuan | Director, Member of Risk Management Committee, Executive Committee Member and President | 120,000 | 140,000 | - | - | - | 100,000 | - | 235,000 | 595,000 |
| Mrs. Tongpit Tuchsharin | Director | 120,000 | 140,000 | - | - | - | - | - | - | 260,000 |
| | | | | | | | | | | 7,785,000 |

# Management Structure

**Remark:** *(1) Mr. Dhitivute Bulsook was appointed as the Vice Chairman of Executive Committee No.3 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No. 2)*
*(2) Mr. Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No.2 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.1)*
*(3) Mr. Michael Chye Hin Fah resigned from Director and Executive Director and Mr.Ueychai Tantha-Obhas was appointed as Vice Chairman No.4 and Vice Chairman of Executive Committee No.1 on 16 November 2018.*

**Executive remuneration and compensation**

| Remuneration | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of Executives | Total Amount (Baht) | No. of Executives | Total Amount (Baht) |
| Salary | | 43,139,518.34 | | 59,274,669.47 |
| Remuneration/Bonus | | 4,442,435.82 | | 16,361,756.94 |
| Total | 8 | 47,581,954.16 | 12 | 75,636,426.41 |

### 7.4.2 Other Compensation

Provident Fund

| Remuneration | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of Executives | Total Amount (Baht) | No. of Executives | Total Amount (Baht) |
| Provident Fund | | 1,393,542.40 | | 2,468,092.50 |
| Total | 8 | 1,393,542.40 | 12 | 2,468,092.50 |

## 7.5 Personnel

For the year ended September 30, 2018, Sermsuk Public Company Limited had a total of 5,847 registered employees. The total employee cost paid by the Company last year was Baht 1,999 million. Numbers of personnel in each function were as follows:

- Production 1,091 persons
- General Administration 363 persons
- Fleet 274 persons
- Sales and Warehouses 4,119 persons

(a) An unfair dismissal claims, approximately Baht 9 million claim were lodged against the Company. The Court of First Instance rendered the judgment in favor of the Company by dismissing all of the plaintiffs' claims. Currently, the case is under consideration of the Appeal Court.

# Corporate Governance

(b) The 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. The Company won those cases at Civil Court to which those employees submitted their appeal. Currently, the cases are under consideration of the Supreme Court.

(c) The third party lodged a lawsuit claiming compensation from the Company on the ground that one of the Company's truck drivers ran the truck into their child resulting in loss of life and property being damaged. The Company as an employer is legally held responsible with the employee to compensate the plaintiff with case capital of Baht 2.95 million.

(d) The third party lodged a lawsuit claiming compensation from the Company on the ground that one of the Company's truck drivers ran the truck into her property which resulted in the outlet owner to suffer damages. The Company as an employer is legally held responsible with the employee to compensate the plaintiff. The case capital is Baht 293,000. Currently, the case is under consideration of the Court of First Instance.

(e) The employee who was laid off by the Company has filed lawsuit against the Company for unfair termination. The total amount of claim is approximately of Baht 1.19 million. Currently, the case is under consideration of the Court of First Instance.

(f) The third party lodged a lawsuit claiming compensation from the Company on the ground that one of the Company's truck drivers ran the truck into their father resulting in loss of life. The Company as an employer is legally held responsible with the employee to compensate the plaintiff with case capital of Baht 187,100. Currently, the case is under consideration of the Court of First Instance.

## 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 Board of Directors

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, the Chairman of Executive Committee and the President. The President is authorized to manage the Company's business under usual business norms and the direction from the Board of Directors.

A minimum of one Board of Directors meeting is required every quarter. However, in order to resolve any urgent issues, a special meeting may be called as necessary. For the year ended September 30, 2018, there were 7 meetings in total which each was beforehand dated and informed to each member of the committee throughout the year.

# Corporate Governance

The Board of Directors appoints an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, an Executive Committee and a Sustainability and 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.

The Board of Directors is required to do self-assessment, divided into 1) self-assessment for the Board of Directors as a whole, 2) self-assessment of each sub - committee and 3) self-assessment of each individual sit in each sub-committee. The principle of which is in accordance with the sample self-assessment form of the SET, consisting 5 major topics as follows;

1. structure and qualification of the directors;
2. roles and responsibilities of the directors;
3. the Directors Meeting;
4. relationship with the managements; and
5. self-improvement and the managements improvement.

The forms are used by the directors to assess the performance of the Board of Directors. For the performance assessment of the sub-committees, the self-assessment form having principles similar to and consists of the aforementioned topics in accordance with those of the SET are stipulated.

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 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. The Board of Directors' Meeting determines the Policy and The Principles of Corporate Governance in writing

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.

# Corporate Governance

2. **To operate with a consideration of the right and equitable treatment of shareholders**

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' right to equally access to updated news and information, the Company consistently announces its operating results and important information to the shareholders via 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 accessible to adequate public transportation for the convenience of shareholders.

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 2019, the Annual General Meeting of Shareholders will be held on January 8, 2019.

3. **To recognize the right of other stakeholders, other than the shareholders, and verify that such rights are well protected and conducted**

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.

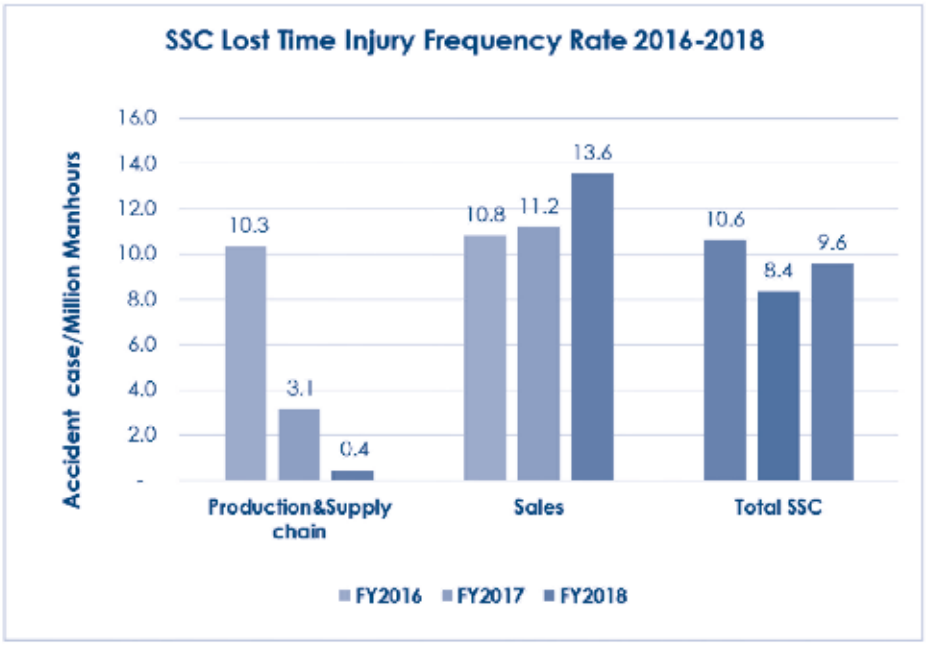
The Company commits to promote and facilitate shareholders including institutional investors to take part in the general meeting of shareholders. The Company will select a venue where it is easily accessible to mass transport system. Also, the Company will ask shareholders to submit their documents registrated days prior to the date of the meeting in order to save 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 registrating and voting with fastness and accuracy. The Company will also provide the stamp duty for some shareholders who are submitting a proxy.

**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 in the long run. 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.

In the past two years, the Company has set forth safety policy and regulations, prescribing rules, and safety key performance indicators (KPIs) for employees at the plants. Emphasis is placed on projects and activities designed to raise safety awareness among the staff. The Company sets its sights on expanding the safety

# Corporate Governance

efforts to the sales function in 2019. To achieve the goals, the Company provides sufficient tools, equipment, and resources needed to facilitate operating in strict compliance with applicable safety standards as well as laws and regulations to ensure maximum safety to life and property. Lost Time Injury Frequency Rates (LTIFR) at the plants and sales function have been recorded continually as follows:




**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. As for competitors, the Company is committed to free trade and fair competition according to the law.

**Creditors**

The Company treats each group of creditors equally, fairly and transparently and honors the collateral related terms and the contractual obligations agreed with creditors. The Company shall not dishonestly hide information or facts which may prejudice the creditors. Moreover, the Company properly manage its cash liquidity to ensure compliance and punctual repayment. In case a defaulting event occurs, the Company shall inform the creditors in advance to jointly solve the problem with the creditors.

**Community:** The Company realizes its role in contributing to community development, carrying out numerous socially-responsible activities and projects in collaboration with the community and society. For the 10th consecutive year in 2018, the Company participated in a project dedicated to promoting sustainable social and community responsibility among industrial plants organized by the Department of Industrial Works, Ministry of Industry. The achievement of the CSR-DIW Continuous Award has demonstrated the Company's commitment to social responsibility toward the

# Corporate Governance

community in accordance with the standards set forth by the Department of Industrial Works. The endeavors have gained the community's trust and confidence in the Company's business operations, leading to a sustainable coexistence among the plant, the community, and the environment.

**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 Sermsuk 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 society and other enterprises, aiming to form a major force that drives environmental awareness in Thai society and social development in Thailand and allows Sermsuk to grow alongside a good environment in a sustainable manner.

**4. To arrange the annual general meeting by allocating the time for shareholder to have a chance to comment and ask a question by entire directors and chairman of all sub-committee attending the meeting to answer the questions**

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. The Board of Directors' Meeting should have leadership, vision, and independence in making decisions for the best interests of the company and all shareholders**

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. Except for independent directors who should not assume the term in office exceeding 3 consecutive terms or a period of 9 years unless they are qualified to hold the position for a longer period.

**6. Shareholders, the Board of Directors and the management should eliminate a problem of conflict of interests thoroughly**

The Company believes in the need for the independence of the Board of 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, it is determined that Directors and executives of the Company should report their interest as required by the law and Board of Directors 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. In addition, policies and methods were determined to prevent executives and related persons to exploit the insider information for personal gain.

# Corporate Governance

**7. To promote the procedure of ethical and honesty of business operation in order to all directors and employees' acknowledgement**

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 non-transparent or corrupt actions. Consequently, the company has introduced the following anti-corruption measures:

1) Risk Management and Corruption Risk Management Analysis by identify the risks and cause of misappropriation then initiate protection mechanism by strategize and limit timeframe to follow up with Corruption Risk, including continue to operate under Anti-Corruption Policy.
2) Initiate the follow up protocol to analyze the result of operation under Anti-Corruption Policy.
3) Enhancing reliability by acting professionally to ensure bribery and corruption does not take place, and making a strong commitment to anti-corruption prevention policies.
4) Promoting standards, awareness, values and attitudes to employees to act fairly and with integrity, including arrange anti-corruption seminar.
5) 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 and to create confidence among all interested parties that they shall be protected from persecution or mistreatment as a result of filing a complaint or whistleblowing made to the group of companies.
6) Facilitating employees, business partners and stakeholders in exposing any illegal or unjust practices via the company's channel of disclosure (whistle blowing) at Sermsuk Public Company Limited, Legal Office, No. 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huai Khwang Sub-District, Huai Khwang District, Bangkok 10310, Telephone No. 02-783-9000 and email SSC-whistleblowing@sermsukplc.com
Notwithstanding, when a whistle is blown ,the Office of Legal Affairs will report the matter(s) arisen to the Company's Audit Committee on quarterly basis, then will take action (s) necessary.
7) Commitment to anti-corruption efforts by supporting or forming alliances with other anti-corruption prevention activities, bodies and approaches.

**8. The balance of non-executive directors by proposing that the proportion of independent directors of the board cannot be less than one-third is useful**

Definition of "Independent Director":

An Independent Director is the director elected by shareholders who:

- Holding no more than one percent of the total voting shares of the company, subsidiary, associate company, major shareholder or controlling person of the Company, including shares held by the connected persons of such independent director; not being or having been an executive director, employee, staff, advisor earning regular monthly salary or the controlling person of the Company, its parent company, subsidiary, associate company, same-level subsidiary, major shareholder or controlling person, unless the foregoing status has ended for at least two years prior;
- Not being a person who is related by blood or legal registration as father, mother, spouse, sibling and child, including spouse of child, other directors, executives, major shareholders, controlling person or person to be nominated as director, executive or controlling person of the Company or its subsidiary;
- Not having or having had a business relationship with the Company, its parent company, subsidiary, associate company, major shareholder or controlling person in a manner that may interfere with

# Corporate Governance

independent discretion, which includes not being or having been a significant shareholder or the controlling person of any person having a business relationship with the Company, subsidiary, associate company, major shareholder or controlling person, unless such foregoing relationships have ended for at least two years;

- Not being or having been an auditor of the Company, subsidiary, associate company, majority shareholder, or controlling person, and not being a significant shareholder, controlling person, or partner of the audit firm which employs the auditor of the Company, subsidiary, associate company, majority shareholder, or controlling person, unless the foregoing relationship has ended for not less than two years;
- Not being or having been a provider of professional services, which includes serving as a legal advisor or financial advisor being paid with a service fee of more than two million baht per year by the Company, its parent company, subsidiary, associated company, majority shareholder, or controlling person, and not being a significant shareholder, controlling person, or partner of such provider of professional services, unless the foregoing relationship has ended for not less than two years prior;
- Not being a director who is appointed as the representative of directors of the Company, major shareholder, or shareholder who is a connected person of a majority shareholder;
- Not undertaking any business of the same nature and in significant competition with the business of the Company or its subsidiary, or not being a significant partner in a partnership, or an executive director, employee, staff, advisor earning regular monthly salary, or holding more than one percent of the voting shares of another company that undertakes a business of the same nature and in significant competition with the business of the Company or its subsidiary;
- Not having any other characteristics that cause the inability to express independent opinions on the business operation of the Company.

The Company realizes the necessity of appointment the non-executive and independent directors to balancing the power of executive directors. Therefore, The Board of Directors for the year period ended September 30, 2018 consisted of 5 executive directors, 5 non-executive directors and 5 independent directors.

**9. To separate or specify the roles of chairman or management clearly prevent concentration of management powers in the hands of one individual**

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. To specify Director and executive remuneration properly reflect duty and responsibility by determining the approval process appropriately**

Directors' remuneration consists of directors' fees and directors' bonuses as approved by the shareholders in the Annual General Meeting No. 1/2018 held on January 30, 2018.

# Corporate Governance

| Director and Sub-committee's remuneration | 2018 (proposed year) | | 2017 (preceding year) | |
|---|---|---|---|---|
| | Per Year | Meeting Allowance/ Per Meeting | Per Year | Meeting Allowance/ Per Meeting |
| **1. The Board of Directors** | | | | |
| • Chairman | 240,000 | 40,000 | 240,000 | 40,000 |
| • Chief Executive Officer | - | - | - | - |
| • Vice Chairman | 180,000 | 30,000 | 180,000 | 30,000 |
| • Other Directors | 120,000 | 20,000 | 120,000 | 20,000 |
| **2. The Executive Committee** | | | | |
| • Chairman | 80,000 | 25,000 | 80,000 | 25,000 |
| • Vice Chairman | 60,000 | 20,000 | 60,000 | 20,000 |
| • Other Directors | 40,000 | 15,000 | 40,000 | 15,000 |
| **3. Sub-committees' Remuneration** | | | | |
| **3.1 The Audit Committee** | | | | |
| • Chairman | 160,000 | 50,000 | 160,000 | 50,000 |
| • Other Directors | 80,000 | 25,000 | 80,000 | 25,000 |
| **3.2 The Nominating and Corporate Governance Committee** | | | | |
| • Chairman | 80,000 | 25,000 | 80,000 | 25,000 |
| • Other Directors | 40,000 | 15,000 | 40,000 | 15,000 |
| **3.3 Sustainability and Risk Management Committee** | | | | |
| • Chairman | 80,000 | 25,000 | 80,000 | 25,000 |
| • Vice Chairman | 60,000 | 20,000 | 60,000 | 20,000 |

# Corporate Governance

| Director and Sub-committee's remuneration | 2018 (proposed year) | | 2017 (preceding year) | |
|---|---|---|---|---|
| | Per Year | Meeting Allowance/ Per Meeting | Per Year | Meeting Allowance/ Per Meeting |
| • Other Director | 40,000 | 15,000 | 40,000 | 15,000 |
| **3.4 The Compensation Committee** | | | | |
| • Chairman | 80,000 | 25,000 | 80,000 | 25,000 |
| • Other Directors | 40,000 | 15,000 | 40,000 | 15,000 |
| **4. Bonus** | - | | - | |
| **5. Benefits** | -None- | | -None- | |

**Remark:** *On February 9, 2017 The Company's had changed organization chart to cancel position of Chief Executive Officer.*

11. **To set the meeting schedule in advance, manage sufficient meeting time, and disclose attendance or non-attendance of each director in the annual report**

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 nine-month period ending September 30, 2018, there were 7 Board of Directors meetings. Other sub-committee meetings were held as appropriate. For the aforementioned period, there were 5 Audit Committee meetings, 2 Compensation Committee meetings, 1 Nominating and Corporate Governance Committee meeting, 4 Sustainability and Risk Management Committee meetings and 13 Executive Committee meetings with the attendance of directors and members of committees.

In the past year, there was 1 meeting of non-executive directors to discuss management issues of concern without the presence of the management.

Before a board 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. **To provide the Sub-Committees to screen work for the Board of Directors such as Audit Committee, Nominating and Good Governance Committee and Compensation Committee**

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

# Corporate Governance

## Audit Committee

The Audit Committee consists of three members as follows:

- Prof. Khunying Suchada Kiranandana — Chairman
- Mr. Suchin Wanglee — Director
- Ms. 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 year ending September 30, 2018, there were 4 regular Audit Committee 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.

The Audit Chairman, Professor Dr.Khunying Suchada Kiranandana, Mr.Suchin Wanglee and Ms 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. Chotiphat Bijananda — Director
- Mr. Pramoad Phomprapha — 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

# Corporate Governance

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 ended September 30, 2018, there was one meeting 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.

In addition, performance evaluation of the President and the management team will be done annually. The President will evaluate the performance of the management team from the director position downwards. The evaluation criteria shall be interconnected with the Company's annual strategies and plan so that the remuneration will be appropriately set, upon the approval of the Executive Committee and/or the Board of Directors, as the case may be.

For the year ended September 30, 2018, there were two meetings to review and approve the merit increase and bonus payment for the Executive for 2018 and to review and approve the annual bonus payment for employees.

**Sustainability and Risk Management Committee**

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

- Prof. Dr. Khunying Suchada Kiranandana — Chairman
- Mr. Thapana Sirivadhanabhakdi — Member
- Mr. Sithichai Chaikriangkrai — Member
- Mr. Dhitivute Bulsook — Member
- Ms. Siripen Sitasuwan — Member
- Mr. Pramoad Phornprapha — Member
- Mr. Lester Tan Teck Chuan — Member

The Sustainability and Risk Management Committee also includes four members by positions including, Finance Director, Human Capital Director, Operations Director and National Sales Director.

The Sustainability and 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.

# Corporate Governance

For the year ended September 30, 2018, there were four meetings for the Sustainability and 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. Thapana Sirivadhanabhakdi | Chairman |
| • Mr. Sithichai Chaikriangkrai[1] | Vice Chairman of Executive Committee No.1 |
| • Mr. Dhitivute Bulsook[2] | Vice Chairman of Executive Committee No.2 |
| • Mr. Michael Chye Hin Fah[3] | Member |
| • Mr. Lester Tan Teck Chuan | Member |
| • Mr. Vuttipong Vungsuntitum | Member |

**Remark:** *(1) Mr.Dhitivute Bulsook was appointed as the Vice Chairman of Executive Committee No.3 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No. 2)*

*(2) Mr.Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No.2 on 16 November 2018 (Former as the Vice Chairman of Executive Committee No.1)*

*(3)Mr.Michael Chye Hin Fah resigned from Director and Executive Director and Mr.Ueychai Tantha-Obhas was appointed as Vice Chairman No.4 and Vice Chairman of Executive Committee No.1 on 16 November 2018.*

The Executive Committee is responsible for

1. 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' meeting.
2. Preparing, proposing and defining the Company's business policy and strategy to the Company's Board of Directors
3. 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 following the Company's business plan and strategy in compliance with the polices and business directions as informed to the Company's Board of Directors.
4. To manage and supervise the business performance of the Company and its subsidiary companies in accordance with business policy, target, action plan, business strategy, budget, and managerial authorization as per the approval of the Board of Directors in efficient and business able manner.
5. To perform and conduct general managerial business of the Company, including all detail regarding to recruitment, training, employment, dismissal of the employees, except for the position of President and higher positions.
6. To approve of business transaction and other activities of the Company and its subsidiary companies as follows:

   6.1 To approve loan or credit from financial institution, including entering into guarantor, making payment or paying for general business expenses of the Company, such as, investment capital, expanding branches and other business activities, etc.

   6.2 To approve the loan or giving loan between subsidiary companies of Sermsuk Public Company Limited which the Company is holding the shares of no lesser than 90 percent, including the

# Corporate Governance

power to authorize the President, or the Department Director together with Finance Director jointly, for approve and conduct the related activities.

6.3 To approve annual budget for subsidiary companies.

The aforementioned power to conduct activities shall be complied with the following conditions:

(1)The Executive Committees is authorized for payment approval of the purchasing of main raw material not exceeding 2,000,000,000 Baht (Two Billion Baht) per time.

(2)The Executive Committees is authorized for payment approval of Purchasing, not including the purchasing of main raw material, not exceeding Baht 200,000,000 (Two-Hundred Million Baht) per time, or equivalent, or in accordance with the authorization from the Board of Directors. Except for asset write off, in such case the Executive Committees is authorized for write off not exceeding Baht 50,000,000 (Fifty Million Baht) per time, and except entertainment, charity expenses, and advertisement material which the Executive Committees is authorized for payment approval not exceeding Baht 3,000,000 (Three Million Baht) per time.

7. To approve the opening of deposit account with domestic financial institution, including authorization for payment from the Company's deposit account.

8. To approve annual budget for increasing or adjustment of the employee salary and bonus payment to the employees of the Company and its subsidiary companies, except for the position of the President and higher.

9. To approve payment as per instruction of the Board of Directors.

10. To recruit, employ, dismiss, promote, disciplinary action, transfer, promote job grade, increase salary, salary rate adjustment, decide on bonus, welfare or any other employees benefit, including evaluate on merit of the employees for the position of not higher than the President and also authorized to appoint the President or the authorized attorney of the Company as authorized person of the Company to execute related employment agreement under the approved budget from the Board of Directors.

11. To appoint the representative of the Company to hold the position of Director and/or sub-committee in subsidiary companies to manage the affair under approval from the Company in the most efficiency and benefit to the Company.

12. Other business as appointed by the Board of Directors.

The aforementioned authorization for approval shall not apply for any transaction which the Executive Committees or its authorized representative approved their own or any person who may, directly or indirectly, have conflict of interest (in accordance with articles of association and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand) with the Company or its subsidiary companies, except such approval has been done under approved policy and regulation of the Board of Directors. Any members of Executive Committee who may, directly or indirectly, have interest in such affair shall be prohibited from voting in such affair and the Board of Directors has the power to change the scope of power of the Executive Committees as necessary or deemed as proper.

For the year ended September 30, 2018, there were thirteenth meetings for the Executive Committee.

# Corporate Governance

13. **To provide control and internal audit system for supporting Corporate Governance, Risk Protection and concerning to fraud transaction and warning sign which may occur**

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 Chairman of Executive Committee after completion of the audit, and reported to the Audit Committee on a quarterly basis.

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. **To provide the Board of Director's report that specifies the responsibilities of the Board of Directors related to financial 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. The Chairman of Executive Committee 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. **To ensure that the Company discloses the correct, punctual and transparent of important information by providing a person to responsible for "Investor Relations"**

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

Apart from the above, the Company holds a press conference on the operating result and direction of business operation. In addition, the Company convenes a meeting between the Company's assigned officer and the interested investors, analysts and other interested parties in person with a view to disclose and to provide news and information permitted to disclose to those who are interested, when required.

## 8.3 Nomination and Appointment of Directors and Executives

### 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.

# Corporate Governance

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 submitted to the Security and Exchange Commission and the Stock Exchange of Thailand.

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 subsidiaries.

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 submitted to the Security and Exchange Commission (SEC) and the Stock Exchange of Thailand.

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 submitted to the SEC and the Stock Exchange of Thailand.

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 submitted to the SEC and the Stock Exchange of Thailand.

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 Company 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 subsidiaries.

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.

# Corporate Governance

**2. Nomination of Directors and Top Executives:**

**Nomination and appointment of the directors**

The Board of 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 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 President 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 Chairman of the meeting 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 is no shareholders with objections or abstentions, the votes for approval will be counted as voting agreement on the proposed agenda.

**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' 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

# Corporate Governance

## 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 and the Stock Exchange 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 ended September 30, 2018, 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.

**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

# Corporate Governance

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 4 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 period ended September 30, 2018

- Sermsuk Public Company Limited 1,582,000 Baht
- Sermsuk Beverage Co., Ltd. 656,000 Baht
- Sermsuk Holdings Co., Ltd. 94,500 Baht
- Sermsuk Training Co., Ltd. 144,000 Baht
- Wrangyer Beverage (2008) Co., Ltd. 639,500 Baht
- Great Brands Limited 25,000 HKD

### 8.6.2 Non-audit Fee

- 700,000 Baht

# Corporate Governance

## 8.7 Implementation of the Corporate Governance Code for Listed Companies 2017

Following the launch of the Corporate Governance for Listed Companies 2017 (CG Code) by the Securities and Exchange Commission (SEC) in cooperation with the Stock Exchange of Thailand (SET), the Board of Directors has embraced the CG Code principles and realized its role as the leader in creating value for business in a sustainable manner. The Board is working to implement the CG Code to suit the Company's business context.

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

| Details of Company directors' attendance at sub-committee meetings in compliance with good corporate governance (Number of sub committee meetings/ Number of meetings attended) | | | | | | |
|---|---|---|---|---|---|---|
| Directors (number of meetings attended /number of total meetings) | Audit Committee | Compensation Committee | Sustainability and Risk Management Committee | Nominating and Corporate Governance Committee | Executive Committee | Annual General Shareholders Meeting |
| Mr.Somchai Bulsook | - | - | - | - | - | 1/1 |
| Mr. Suchin Wanglee | 5/5 | 2/2 | - | - | - | 1/1 |
| Mr. Chotiphat Bijananda | - | 2/2 | - | 1/1 | - | 1/1 |
| Mr. Thapana Sirivadhanabhakdi | - | 2/2 | 3/4 | 1/1 | 12/13 | 1/1 |
| Prof. Dr. Khunying Suchada Kiranandana | 5/5 | - | 4/4 | - | - | 1/1 |
| Professor Rawat Chamchalerm | - | - | - | - | - | 1/1 |
| Ms. Siripen Sitasuwan | 5/5 | - | 2/4 | - | - | 1/1 |
| Mr. Pramoad Phornprapha | - | - | 4/4 | 1/1 | - | 1/1 |
| Mr. Dhitivute Bulsook | - | - | 4/4 | - | 13/13 | 1/1 |
| Mr. Sakchai Thanaboonchai | - | - | - | - | - | 0/1 |
| Mr. Rangsan Thammaneewong | - | - | - | - | - | 1/1 |
| Mr. Sithichai Chaikriangkrai | - | - | 4/4 | - | 10/13 | 1/1 |
| Mr. Michael Chye Hin Fah(1) | - | - | - | - | 6/13 | 1/1 |
| Mr. Lester Tan Teck Chuan | - | - | 4/4 | - | 13/13 | 1/1 |
| Ms. Tongjai Thanachanan | - | - | - | - | - | 1/1 |

*Remark: (1) Mr. Michael Chye Hin Fah resigned from Director and Executive Director on 16 November 2018.*

# Corporate Social Responsibilities (CSR)

## 9. Corporate Social Responsibilities (CSR)

### 9.1 General Policy

Sermsuk 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 "Sermsuk Fulfill Happiness" concept.

The Board of Directors 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**

Sermsuk 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**

**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 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. Any offer of gifts must be reasonable and not to violate any law.

Moreover, 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 employee's 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.

Examples of a conflict of interests that must be disclosed:

# Corporate Social Responsibilities (CSR)

- 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:

  a. An act that is in line with good governance practices
  b. An act that is not deemed to be motivated by business
  c. Gifts of little value or inappropriate to the employee's status
  d. An act that does not damage the Company's good image if such transaction is disclosed to the public.
  e. 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**

Sermsuk 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, fan 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. Sermsuk 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 fair payment for a work of equal value by determining the compensations and other benefits in accordance with laws, regulations and general employment requirements. The Company will also assigns job in a fair and unbiased manner, by providing equal opportunity for career growth to all employees based on personal competency. 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,

# Corporate Social Responsibilities (CSR)

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**
With full awareness to the importance of environmental protection and preservation, Sermsuk follows strict environmental policies and operating guidelines to minimize the environmental impact of our entire production process. We have also broadened our environmental initiatives to the public through multiple social activities via different dimensions. As a key player in driving sustainable social awareness and environmental conservation 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 the Company's top priority. It's a major part of our business and a key element in everybody's lives. Over the past 60 years, the Company has been focusing on water conservation. the Company was among the first companies in Thailand to introduce an innovative water treatment system to treat wastewater before releasing it from our production facilities. The Company shares our knowledge on wastewater treatment, which serves as a showcase for the public, attracting visitors such as students, government agencies, and other interested parties.

The Company expands its business by establishing several regional production facilities across the country. Each plant is equipped with efficient wastewater treatment system. The Company monitors its wastewater treatment system 24 hours a day, seven days a week. Water is analyzed throughout the treatment process and prior to release. The Company'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. With these stringent controls, treated wastewater from the Company's production facilities contains BOD (Biochemical Oxygen Demand) less than 5 mg/l. This is four times cleaner than the requirement by the Department of Industrial Works and 40 times cleaner than typical wastewater from residential households.

Since 2006, the Company has invested in installation of high-precision BOD online inspection system in all of our production facilities. This computerized system monitors water quality around the clock, connecting the data directly to the Department of Industrial Works to facilitate effective real-time water management via internet. This ensures that the wastewater from our facility is always clean and environmental friendly. This was an attribution from the Company's determination and commitment to social responsibility and sustainable environment protection.

In 2018, the Pathumthani facility joined the Water Footprint Assessment initiative sponsored by the Water Institute for Sustainability, The Federation of Thai Industries, and the Department of Groundwater Resources to analyze and assess the water consumption throughout the product life cycle in alignment with international standards. The study took into consideration environmental impact from water consumption and quality of waste water discharged into the natural water sources. The objective was to promote water efficiency and the design of products that make use of water resources for maximum benefits, leading to lower costs and production with concern for environmental sustainability and the importance of water resources.

# Corporate Social Responsibilities (CSR)

The efforts resulted in Crystal in the 600-ml, 1-liter, and 1.5-liter bottles being the first drinking water to have received Water Footprint certification and Sermsuk Plc's Pathumthani facility becoming one of the 15 model plants in Thailand that joined in Water Footprint Assessment. The initiative will be extended to Sermsuk's other production facilities.

**The Second Dimension: Packaging**

To ensure sustainability regarding packaging, the Company 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 by re-designing PET bottles for Crystal drinking water in 2018 to be lighter so as to reduce plastic use, thereby ensuring maximum resource efficiency. In line with the government policy, the Company eliminated the use of cap seals for Crystal in PET bottles to minimize plastic waste in the environment.
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, Sermsuk joined with other leading companies and major industrial groups to establish the **Thailand Institute of Packaging and Recycling Management for Sustainable Environment (TIPMSE).** 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 in order to minimize the environmental impact. Recently, Sermsuk takes part in establishing the recycle learning centers in all four regions of Thailand to serve as a waste and recycling management models, including an ideal site for study tours and further the knowledge of sustainable waste management and recycling. This has driven government agencies to be aware of the importance of used packages and recycled materials management. This achieved by stringent operation. This marked as a notable social achievement on behalf of Sermsuk PLC has contributed via the institute for quality communities and people in Thailand.

**The Third Dimension: Energy**

As a manufacturer, Sermsuk Public Company Limited realized the importance of greenhouse gas emissions. In 2016, Sermsuk joined the Corporate Carbon Footprint and Carbon Footprint Reduction Label Projects sponsored by the Thailand Greenhouse Gas Management Organization and Thailand Environment Institute under the Federation of Thai Industries. The main objectives were as follows:

- To assess the greenhouse gas emissions from the Company's production process and the whole product life cycle from the beginning to disposal in order to find solutions to reduce energy consumption and the greenhouse gas emissions, thereby reducing the Company's production costs.
- To receive the carbon footprint label, which will be an information tool for the consumers to make decision on purchasing products that committed to developing production process, throughout the product life cycle, according to the reduction of greenhouse gas emissions.

In 2018, all five plants of Sermsuk including Sermsuk Beverage Co.,Ltd and Wrangyer Beverage (2008) Co.,Ltd achieved Corporate Carbon Footprint certification while Crystal drinking water in PET bottles received Carbon Footprint label. Crystal is also the first drinking water in Thailand to have obtained the Carbon Footprint Reduction label. All these have reaffirmed Sermsuk's relentless commitment to taking a pro-active role in reducing greenhouse gas emissions or global warming, which is a grave threat to the entire world today.

**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 as the driving force.

# Corporate Social Responsibilities (CSR)

The Company 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 the Company's operations.

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

For employees' health and safety, the Company has set out an occupational health and safety policy designed to ensure a better quality of life in the workplace as well as provide guidelines and best practices on occupational health and working environment, especially the production line in compliance with the Occupational Safety, Health and Environment Act B.E. 2554 (A.D. 2011).

The Company 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. The Company has shared knowledge about anaerobic wastewater management with many organizations to spread awareness about environmental protection. The Company 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

The Company operates its business with efficiency and ethical standard. As a good social member, the Company focuses on supporting the communities and society development, both surrounding plants and nationwide, including promote well-being for the less-fortunated citizens by initiating and implementing social responsible projects with a tangible and continual basis. This is to participate with community in education, culture, job creation, skill development, technology accessibility and economic development, such as income generation, community economic promotion, health, and social investment.

The Company 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.

## 8. Innovation and promotion from the Corporate Social responsibilities

The Company has driven its business operation with multiple innovations and publicize the knowledge as a model of a socially-responsible business. In 2018, the Company provided as follows:

The Water Footprint Assessment initiative in which the Company joined the Water Institute for Sustainability, The Federation of Thai Industries, and the Department of Groundwater Resources to analyze and assess water consumption throughout the product life cycle in accordance with the ISO 14046 standards, leading to the design of products that make use of water optimally and efficiently.

**CSR – DIW: Corporate Social Responsibility – Department of Industrial Works:** The Company has collaborated with the Department of Industrial Works, Ministry of Industry in the "Standard of Social Responsibility for Industry Operators" project, in line with "ISO 26000" standards. These standards comprise with 7 major topics: corporate governance, human rights, labor treatment, environment, fair operation, consumer issues, and involvement in community development. Sermsuk initiated the CSR-DIW project since 2009, and has been awarded for ten consecutive years. This award shows that Sermsuk has been operating based on the sustainable model, which include economic, social, and environmental aspects, in order raise acceptance and sustainable collaboration.

# Corporate Social Responsibilities (CSR)

## 9.2 Operations and reporting

### (1) Reporting process

The Company 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 assessment of stakeholders, issue prioritization, keeping records, and assesses the advantages and effects in line with company's activities, including products and services throughout the 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 the Company 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 Company 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

The Company has written a policy on social responsibility and has been communicating about this to its stakeholders as well as the public. The company constantly communicates its social responsibility efforts to the employees to promote their participatory involvement. 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 Behavior, Respect for Stakeholder Interests, Respect for the Rule of Law, Respect for International Norms of Behavior, 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.

The Company has adopted socially responsible practices covering 7 areas: corporate governance, human rights, labor treatment, environment, fair operation, consumer issues, and involvement in community development. A working group dedicated to social responsibility which comprises with representatives from all functions within the Company to set up to implement the practices. This ran parallel with monitoring, reviewing, and verifying to achieve the measurable outcome that is able to assess in accordance with CSR in process and CSR after process activities.

## 9.3 Business operations that have adverse impacts on social responsibility

-None -

## 9.4 Corporate Social Responsibility Activities

Throughout 2018, the Company has carried out a wide range of socially beneficial activities and initiatives for its sustainability development towards, Creating & Sharing the Value of Growth, which aligns with the Company's mission, Sermsuk Fulfill Happiness. The Company provides supports in various aspects to create value together with the society through an internal process within the organization continually to the community, society and the external environment in accordance with the sustainability development covering economic, society and environmental related aspects. Along with innovations adopted, the Company has been continually and sustainably developed in 4 major areas, which are:

# Corporate Social Responsibilities (CSR)

**Customer and Product Accountability**

- Or Yor Quality Award 2018 for the 5th consecutive year
- FSSC 22000 Food Safety Certificate Version 4.0
- Marketeer No.1 Brand Thailand 2017-2018 for the Natural Water category: Crystal brand, the No.1 choice for drinking water among Thai consumers

**Environmental Management**

- Corporate Carbon Footprint Certification, Carbon Footprint label, and Carbon Footprint Reduction label
- Water Footprint Certificate for Crystal drinking water in 600-ml, 1-liter, and 1.5-liter pet bottles

**Human Resources Management**

- Personnel development through training to develop knowledge and empower employees

**Corporate Engagement in Social and Community Development**

- CSR-DIW Continuous Award for the 10th consecutive year
- Support for Pracharath project to promote the use of loin cloths to create happiness for the community
- Project creating new learning experience outside classroom "Open House" for students across the country for the 2rd year
- Project promoting community good health "Community Workout by Fitfest and CRYSTAL"
- The Career Training in Hydroponic Vegetables and Raising Chicken for Egg Production for the Disabled and Caretakers project
- Other projects related to community voluntary work

## 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.

### 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
   Mr. Boonyapak Pongsuppapak assumed the position of Assistant Internal Audit Director.
   Remark : Mr. Boonyapak Pongsuppapak has resigned from the position of Assistant Internal Audit Director on 7 September 2018.
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 Related parties

| Name of Entities | Country of Incorporation / Nationality | Nature of Relationship |
|---|---|---|
| Key management personnel | Singapore /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 Public Co., Ltd | Thailand | Parent Company and common director |
| 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 until 31 March 2017 |
| Sang Som Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| 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 |
| Sura Bangyikhan Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Piromsurang Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Sunthronpirom Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Thipchalothorn Co., Ltd | Thailand | Direct subsidiary of the ultimate parent company |
| United Products 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 |
| Pomburapa Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Pomthip(2012)Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Num Yuk 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 |

Sermsuk Public Company Limited and its Subsidiaries

# Connected Transactions

| Name of Entities | Country of Incorporation / Nationality | Nature of Relationship |
|---|---|---|
| Num Palang Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Num Kijjakarn Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Numrungrod Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Numthip Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Pan International(Thailand) 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 |
| Horeca Management Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Bev Tech Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Cash Van Management Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| CAC Co., Ltd | Thailand | Direct subsidiary of the ultimate parent company |
| Chang International Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Agent Management Co., Ltd | Thailand | Direct subsidiary of the ultimate parent company |
| ASM 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 |
| Oishi Food Service Co., Ltd. | Thailand | Indirect subsidiary of Indirect subsidiary of the ultimate parent company |
| Food of Asia Co.,Ltd. | Thailand | Indirect subsidiary of the ultimate parent company |
| Spice of Asia Co., Ltd. | Thailand | Indirect subsidiary of Indirect subsidiary of the ultimate parent company |
| The QSR of Asia Co., Ltd. | Thailand | Indirect subsidiary of Indirect subsidiary of the ultimate parent company |

# Connected Transactions

| Name of Entities | Country of Incorporation / Nationality | Nature of Relationship |
|---|---|---|
| Super Brands Company Pte Ltd. | Singapore | Indirect subsidiary of the ultimate parent company |
| F&N Interflavine Pte Ltd. | Singapore | 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. |
| BJC Specialties Co., Ltd. | Thailand | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly. |
| Big C Supercenter PLC. | Thailand | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly and common directors |
| North Park Golf And Sports Club Co., Ltd. | Thailand | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly and common directors |
| 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 Company hold ordinary shares and common director |
| Muangthai Life Insurance PLC. | Thailand | The directors hold ordinary shares and common director |
| Phatra-leasing PLC. | Thailand | Common directors |
| 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 |
| Petform (Thailand) Co., Ltd. | Thailand | Associated Company |

# Connected Transactions

**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 |
| Revenue for consultancy service | Contractual prices |
| 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 |
| 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 |

# Connected Transactions

In 2018, Company and Subsidiaries operated business together due to conflict significant transactions with related parties were as follows:

**Sales to related companies**

(Amount : Million Baht)

| Ref | Name | Relationship | Sale for the year 2018 | Balance due as at September 30, 2018 |
|---|---|---|---|---|
| 1 | Thai Beverage PLC. | Parent company and common director | 2.66 | 0.10 |
| 2 | Piromsurang Co., Ltd. | Direct subsidiary of the ultimate parent company | 127.52 | 8.97 |
| 3 | Num Yuk Co., Ltd. | Direct subsidiary of the ultimate parent company | 3.44 | 2.37 |
| 4 | Cash Van Management Co., Ltd. | Direct subsidiary of the ultimate parent company | 152.87 | 11.85 |
| 5 | Beer Thai (1991) PLC. | Direct subsidiary of the ultimate parent company | 0.01 | - |
| 6 | Modern Trade Management Co., Ltd. | Direct subsidiary of the ultimate parent company | 3,492.35 | 287.39 |
| 7 | Thai Drinks Co., Ltd. | Direct subsidiary of the ultimate parent company | 7.70 | 0.96 |
| 8 | Oishi Group PLC. | Direct subsidiary of the ultimate parent company | 18.36 | 3.59 |
| 9 | Dhospaak Co., Ltd | Direct subsidiary of the ultimate parent company | 0.05 | 0.01 |
| 10 | Thai Beverage Marketing Co., Ltd. | Direct subsidiary of the ultimate parent company | 4.78 | 4.93 |
| 11 | Chang International Co., Ltd. | Direct subsidiary of the ultimate parent company | 3.28 | 1.11 |
| 12 | Agent Management Co., Ltd. | Direct subsidiary of the ultimate parent company | 10.07 | - |
| 13 | Oishi Ramen Co., Ltd. | Indirect subsidiary of the ultimate parent company | 9.87 | 2.00 |
| 14 | Food of Asia Co.,Ltd. | Indirect subsidiary of the ultimate parent company | 2.71 | 0.50 |
| 15 | Spice of Asia Co., Ltd. | Indirect subsidiary of Indirect subsidiary of the ultimate parent company | 0.21 | 0.02 |
| 16 | Big C Supercenter PLC. | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly and common directors | 0.35 | 0.04 |
| 17 | F&N Interflavine Pte Ltd. | Affiliated company in associate of the ultimate parent company | 6.07 | 1.02 |
| 18 | ASM Management Co., Ltd | Direct subsidiary of the ultimate parent company | 0.01 | - |

Sermsuk Public Company Limited and its Subsidiaries

# Connected Transactions

| Ref | Name | Relationship | Sale for the year 2018 | Balance due as at September 30, 2018 |
|---|---|---|---|---|
| 19 | The QSR of Asia Co., Ltd. | Indirect subsidiary of Indirect subsidiary of the ultimate parent company | 0.12 | - |
| **Total** | | | **3,842.43** | **324.86** |

**Purchase from related parties**

(Amount : Million Baht)

| Ref | Name | Relationship | Purchase for the year 2018 | Balance due as at September 30, 2018 |
|---|---|---|---|---|
| 1 | Num Yuk Co., Ltd. | Purchase Finished Goods | 20.41 | - |
| 2 | Beer Thai (1991) PLC. | Purchase Finished Goods | 37.09 | 0.03 |
| 3 | Beer Thip Brewery (1991) Co., Ltd. | Purchase Finished Goods | 424.05 | 31.79 |
| 4 | Krittayabun Co., Ltd. | Purchase Finished Goods | 98.08 | 10.68 |
| 5 | Thai Drinks Co., Ltd. | Purchase Raw Materials | 936.44 | 147.01 |
| 6 | Oishi Group PLC. | Purchase Finished Goods | 10.21 | 1.64 |
| 7 | Oishi Trading Co., Ltd. | Purchase Finished Goods | 872.91 | 75.71 |
| 8 | Thai Beverage Can Co., Ltd. | Purchase Raw Materials | 103.76 | 19.65 |
| 9 | Thai Malaya Glass Co., Ltd. | Purchase Raw Materials | 128.91 | 26.78 |
| 10 | Petform (Thailand) Co., Ltd. | Purchase Raw Materials | 872.67 | 143.82 |
| 11 | Crown Seal PLC | Purchase Raw Materials | 121.56 | 24.63 |
| 12 | The Pet Co., Ltd | Purchase Raw Materials | 303.44 | 58.62 |
| 13 | The Southeast Insurance PLC. | Insurance premiums | 1.10 | - |
| 14 | BJC Specialties Co., Ltd. | Purchase Raw Materials and Finished Goods | 6.37 | 1.68 |
| 15 | The Southeast Life Insurance PLC | Insurance premiums | 0.04 | - |
| **Total** | | | **3,937.04** | **542.04** |

# Connected Transactions

**Other Income and Trade Subsidies**

(Amount: Million Baht)

| Ref | Name | Type of Other income | Other Income for the year 2018 | Other Receivables at September 30, 2018 |
|---|---|---|---|---|
| 1 | Thai Drinks Co., Ltd. | Trade Subsidies | 610.79 | 453.92 |
| 2 | Oishi Group PLC. | Other Income | - | 0.03 |
| 3 | Oishi Trading Co., Ltd. | Other Income | 30.94 | 6.74 |
| 4 | Thai Beverage Recycle Co., Ltd. | Other Income - Scrap sales | 1.48 | - |
| 5 | Bangkok Glass PLC. | Other Income - Scrap sales | - | 0.96 |
| 6 | Petform (Thailand) Co., Ltd. | Other Income - Utilities | 5.16 | 0.09 |
| 7 | Gaew Grung Thai Co., Ltd. | Other Income - Scrap sales | 21.56 | - |
| 8 | F&N Interflavine Pte Ltd. | Miscellaneous Income | 0.45 | - |
| 9 | Bev Tech Co., Ltd | Miscellaneous Income | 0.93 | |
| Total | | | 671.31 | 461.74 |

**Dividend Incomes**

(Amount : Million Baht)

| Ref | Name | Relationship | Dividend income for the year 2018 | Balance Due at September 30, 2018 |
|---|---|---|---|---|
| 1 | Crown Seal PLC. | The Company hold ordinary shares and common director | 1.59 | - |
| 2 | Bangkok Glass PLC. | The Company hold ordinary shares | 2.15 | - |
| 3 | Petform (Thailand) Co., Ltd. | Associated Company | 97.50 | - |
| 4 | The Pet Co., Ltd. | The Company and directors hold ordinary shares and common directors | 0.70 | - |
| Total | | | 101.94 | - |

Sermsuk Public Company Limited and its Subsidiaries

# Connected Transactions

**Selling Expenses:**

(Amount: Million Baht)

| Ref | Name | Type of Selling Expenses | Expenses for the year 2018 | Other Payables at September 30, 2018 |
|---|---|---|---|---|
| 1 | Modern Trade Management Co., Ltd. | Sales supporting Expenses | 328.13 | 120.65 |
| 2 | Dhospaak Co., Ltd | Advertising Expenses | 52.38 | 0.21 |
| 3 | Oishi Group PLC. | Sales supporting Expenses | 5.53 | 2.61 |
| 4 | Oishi Ramen Co., Ltd. | Sales supporting Expenses | 3.41 | 1.88 |
| 5 | Food of Asia Co.,Ltd | Sales supporting Expenses | 0.73 | 0.57 |
| 6 | Petform (Thailand) Co., Ltd. | Sales Promotion Expenses | 0.42 | - |
| 7 | Crown Seal PLC. | Sales Promotion Expenses | 1.33 | - |
| 8 | The Southeast Insurance PLC. | Insurance Premiums | 14.77 | - |
| 9 | F & B International Co., Ltd. | Sales supporting Expenses | 1.18 | 0.30 |
| 10 | Pomburapa Co., Ltd. | Sales supporting Expenses | 0.02 | - |
| 11 | Pomthip(2012)Co., Ltd. | Sales supporting Expenses | 0.02 | - |
| 12 | Agent Management Co.,Ltd. | Sales supporting Expenses | 0.17 | - |
| **Total** | | | **408.09** | **126.22** |

**Administrative expenses:**

(Amount: Million Baht)

| Ref | Name | Type | Expenses for the year 2018 | Balance Due as at September 30, 2018 |
|---|---|---|---|---|
| 1 | Pomthip(2012)Co., Ltd. | Miscellaneous Expenses | 0.27 | 0.04 |
| 2 | Thai Drinks Co., Ltd. | Management Fee | 18.79 | 10.93 |
| 3 | CAC Co., Ltd | Miscellaneous Expenses | 0.44 | - |
| 4 | ASM Management Co.,Ltd. | Office Rental and Service Expenses | 17.63 | 3.52 |
| 5 | Thai Beverage Logistics Co., Ltd. | Distribution Cost | 28.89 | 5.68 |

# Connected Transactions

| Ref | Name | Type | Expenses for the year 2018 | Balance Due as at September 30, 2018 |
|---|---|---|---|---|
| 6 | Muangthai Insurance PLC. | Insurance Premiums | 0.02 | - |
| 7 | The Southeast Insurance PLC. | Insurance Premiums | 15.94 | 0.12 |
| 8 | The Southeast Capital Co., Ltd. | Car Rental | 19.67 | 3.03 |
| 9 | Muangthai Life Insurance PLC. | Insurance Premiums | 0.43 | - |
| 10 | T.C.C. Technology Co., Ltd. | IT System Services | 21.65 | 2.44 |
| 11 | Thai Beverage Can Co., Ltd. | Miscellaneous Expenses | 2.76 | - |
| 12 | Berli Jucker PLC. | Miscellaneous Expenses | 0.03 | - |
| 13 | TCC Hotel Asset Management Co.,Ltd | Miscellaneous Expenses | 0.38 | - |
| 14 | Big C Supercenter PLC. | Miscellaneous Expenses | 0.01 | - |
| 15 | Phatra-leasing PLC. | Car Rental | 9.12 | 0.81 |
| 16 | Cash Van Management Co.,Ltd | Miscellaneous Expenses | 0.01 | 0.01 |
| 17 | Beer Thai (1991) PLC. | Equipment Rental | 0.18 | - |
| 18 | Horeca Management Co., Ltd. | Miscellaneous Expenses | 0.02 | 0.01 |
| 19 | North Park Golf And Sports Club Co., Ltd. | Miscellaneous Expenses | 0.01 | - |
| **Total** | | | **136.25** | **26.59** |

### 11.2 Necessary connected transactions

As Sermsuk Public Co., Ltd., received copyrights to produce and distribute products under the trademarks of, "est", the production of li censed products in line with quality standards requires partial purchasing of materials from copyrights owners via related company who is representatives specified by them. So, the prices and distribution profit 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

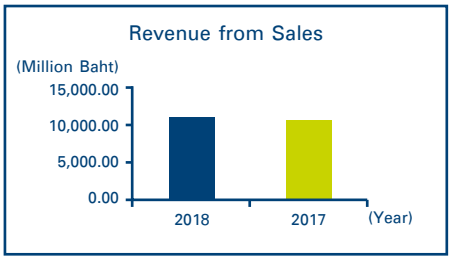
# Financial Data

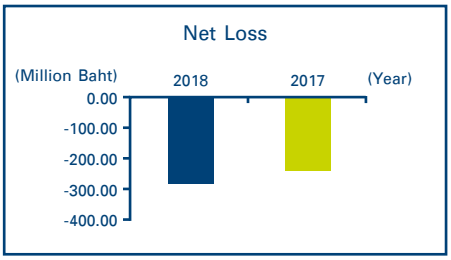
## 12. Financial Data

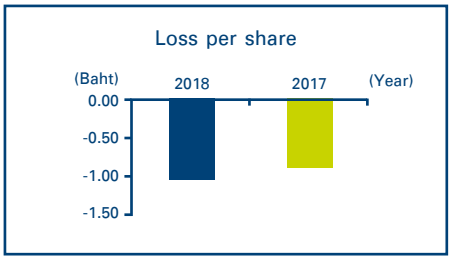
The financial statement is audited by KPMG Phoomchai Audit Ltd. with the audit's unqualified opinion

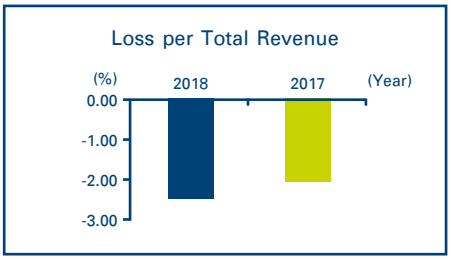
### 12.1 Key Financial Data

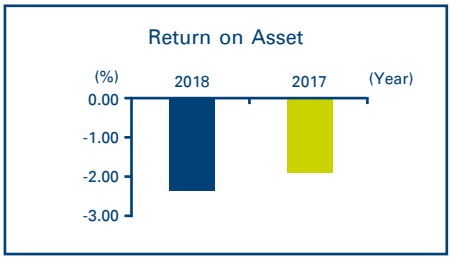
| Transactions | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Revenue from Sales (Million Baht) | 10,819.5 | 10,623.0 |
| Net Loss (Million Baht) | (277.7) | (230.9) |
| Loss per share (Baht) | (1.04) | (0.87) |
| Loss per Total Revenue (%) | (2.49) | (2.12) |
| Return on Asset (%) | (2.38) | (1.91) |
| Return on Equity (%) | (3.25) | (2.60) |

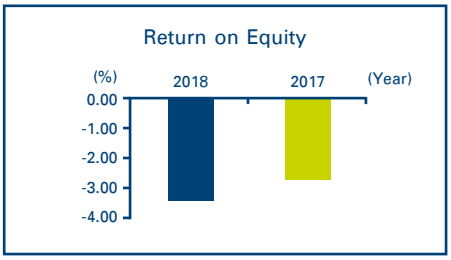


# Financial Data

### 12.2 Financial Ratio

#### 12.2.1 Liquidity Ratio

| Ratio | Consolidated | | | Separate | | |
|---|---|---|---|---|---|---|
| | 2018 (30 Sep 2018) (12Months) | 2017 (30 Sep 2017) (12Months) | 2016 (31 Sep 2016) (9Months) | 2018 (30 Sep 2018) (12Months) | 2017 (30 Sep 2017) (12Months) | 2016 (30 Sep 2016) (9Months) |
| Current Ratio (Time) | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.8 |
| Quick Ratio (Time) | 0.5 | 0.5 | 0.3 | 0.4 | 0.4 | 0.3 |
| Operating Cash Flow to Current Liability Ratio (Time) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Receivable Turnover Ratio (Time) | 18.7 | 19.4 | 15.9 | 18.3 | 18.6 | 15.7 |
| Average Collection Period (Day) | 19.5 | 18.8 | 17.2 | 19.9 | 19.6 | 17.4 |
| Inventory Turnover Ratio (Time) | 18.9 | 17.5 | 12.9 | 19.5 | 18.1 | 13.4 |
| Average Inventory Period (Day) | 19.3 | 20.9 | 21.2 | 18.7 | 20.2 | 20.4 |
| Account Payable Ratio (Time) | 9.8 | 8.4 | 6.1 | 6.5 | 6.0 | 4.7 |
| Average Payment Period (Day) | 37.2 | 43.5 | 44.8 | 56.2 | 60.8 | 58.1 |
| Cash Cycle (Day) | 1.6 | (3.8) | (6.4) | (17.6) | (21.0) | (20.3) |

#### 12.2.2 Profitability Ratio

| Ratio | Consolidated | | | Separate | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| | (30 Sep 2018) (12Months) | (30 Sep 2017) (12Months) | (31 Dec 2016) (9Months) | (30 Sep 2018) (12Months) | (30 Sep 2017) (12Months) | (31 Dec 2016) (9Months) |
| Gross Profit Margin (%) | 27.7 | 27.2 | 26.4 | 27.5 | 26.8 | 26.0 |
| Operating Profit Margin (%) | (6.9) | (6.8) | (5.7) | (6.9) | (7.2) | (5.9) |
| Non-operating Profit Margin (%) | 4.2 | 3.7 | 3.8 | 3.9 | 3.1 | 3.9 |
| Operating Cash Flow to Operating Profit (%) | (3.1) | (33.0) | (28.8) | (1.9) | (24.1) | (29.5) |
| Net Profit Margin (%) | (2.5) | (2.1) | (1.1) | (2.6) | (3.0) | (1.1) |
| Return on Equity (%) | (3.2) | (2.6) | (1.4) | (4.6) | (4.8) | (1.9) |

# Financial Data

### 12.2.3 Efficiency Ratio

| Ratio | Consolidated | | | Separate | | |
|---|---|---|---|---|---|---|
| | 2018 (30 Sep 2018) (12Months) | 2017 (30 Sep 2017) (12Months) | 2016 (31 Dec 2016) (9Months) | 2018 (30 Sep 2018) (12Months) | 2017 (30 Sep 2017) (12Months) | 2016 (31 Dec 2016) (9Months) |
| Return on Assets (%) | (2.3) | (1.9) | (1.0) | (2.6) | (2.7) | (1.1) |
| Return on Fixed Assets (%) | (3.3) | (2.6) | (1.3) | (3.7) | (3.8) | (1.5) |
| Asset Turnover (Time) | 0.9 | 0.9 | 0.8 | 1.0 | 0.9 | 0.9 |

### 12.2.4 Financial Policy Ratio

| Ratio | Consolidated | | | Separate | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| | (30 Sep 2018) (12 Months) | (30 Sep 2017) (12 Months) | (30 Dec 2016) (9 Months) | (30 Sep 2018) (12 Months) | (30 Sep 2017) (12 Months) | (30 Dec 2016) (9 Months) |
| Debt to Equity Ratio (Time) | 0.4 | 0.4 | 0.4 | 0.8 | 0.8 | 0.8 |

# Independent Auditor's Report

## Independent Auditor's Report

### To the Shareholders of Sermsuk Public Company Limited

*Opinion*

I have audited the consolidated and separate financial statements of Sermsuk Public Company Limited and its subsidiaries (the "Group") and of Sermsuk Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 30 September 2018, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year ended as of that date, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 30 September 2018 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

# Independent Auditor's Report

*Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Valuation of property, plant and equipment | |
|---|---|
| Refer to notes 2, 3 and 14 | |
| **The key audit matter** | **How the matter was addressed in the audit** |
| The Group and the Company incurred operating losses in the consolidated and separate financial statements for many years resulting from market competition. These would trigger possible impairment indicators. As a result, the carrying amounts of the property, plant and equipment may exceed the recoverable amount.<br><br>In assessing the impairment issue, the management uses value in use to determine the recoverable amount. In this regard, the management applies significant judgment for estimate cash flows from operating from the discounted cash flow projections such as sales growth rate and discount rate, this is focus and of my audit. | My audit procedures are as follows:<br><br>• Gain understanding of the process for estimating the recoverable amount including the value in use which derived from discounted cash flow along with business operating plans.<br><br>• Evaluating key assumptions applied in the future cash flow projections including discount rates and sales growth rate by reference to my knowledge of the industry and external market data. In determining appropriateness of discounted rate, I compare the rate used with the weighted average cost of capital within the same industry which the Group operates in.<br><br>• Evaluating the sensitivity of key assumptions used in future cash flows projection which affect to the recoverable amount of cash-generating unit; and<br><br>• Evaluating the adequacy of the disclosure in accordance with Thai Financial Reporting Standards. |

# Independent Auditor's Report

| Recoverability of deferred tax assets | |
|---|---|
| Refer to notes 2, 3 and 16 | |
| **The key audit matter** | **How the matter was addressed in the audit** |
| The Group and the Company has recognised deferred tax assets from loss carry forward. The recoverability of the deferred tax asset is highly dependent on future taxable profits and the ability of the Group and the Company to utilise those losses in the future. Management has to use their judgement in forecasting future taxable profits so as to determine the amount of the deferred tax asset. The subjectivity of the management assumptions used in their forecasts are affected by expected future plan, market or economic conditions and achievement of such forecasts is inherently uncertain, this is focus and of my audit. | My audit procedures are as follows:<br>• Gain understanding of the process for measuring deferred tax assets.<br>• Evaluating the management's assumption used in projecting the Group's future taxable profits in relevant profit. I compare key inputs used by the Group to forecast future taxable profits to internally and externally available data such as economic forecasts and the Group's own historical data and performance and assessed the sensitivity of the outcomes to reasonably possible changes in assumptions.<br>• Test calculation of cash flow projections.<br>• Evaluating the adequacy of the disclosure in accordance with Thai Financial Reporting Standards. |

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report the fact. I have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements*

Management is responsible for preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, 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.

# Independent Auditor's Report

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

# Independent Auditor's Report

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Sureerat Thongarunsang)
Certified Public Accountant
Registration No. 4409

KPMG Phoomchai Audit Ltd.
Bangkok
16 November 2018

Sermsuk Public Company Limited and its Subsidiaries

# Statement of financial position

| Assets | Note | Consolidated financial statements 30 September 2018 | Consolidated financial statements 30 September 2017 | Separate financial statements 30 September 2018 | Separate financial statements 30 September 2017 |
|---|---|---|---|---|---|
| | | | (in Baht) | | |
| ***Current assets*** | | | | | |
| Cash and cash equivalents | 5 | 506,202,042 | 445,708,681 | 434,270,322 | 359,564,090 |
| Trade accounts receivable | 4, 6 | 534,904,158 | 621,431,169 | 533,862,974 | 644,560,113 |
| Other receivables from related parties | 4 | 461,740,858 | 296,879,283 | 502,436,362 | 353,869,105 |
| Other receivables | 7 | 75,513,755 | 100,859,433 | 74,551,644 | 100,406,718 |
| Short-term loans to related parties | 4 | - | - | 125,000,000 | 125,000,000 |
| Inventories | 8 | 604,588,348 | 712,397,286 | 559,622,093 | 653,356,751 |
| Prepaid excise taxes | | 4,217,246 | 20,855,612 | 3,902,839 | 20,541,205 |
| Other current assets | | 21,142,443 | 41,580,787 | 19,795,620 | 39,698,756 |
| **Total current assets** | | **2,208,308,850** | **2,239,712,251** | **2,253,441,854** | **2,296,996,738** |
| ***Non-current assets*** | | | | | |
| Restricted deposits at financial institution | | 517,922 | 513,277 | 517,922 | 513,277 |
| Investment in an associate | 10 | 536,464,389 | 507,029,991 | 30,000,000 | 30,000,000 |
| Investments in subsidiaries | 11 | - | - | 606,634,068 | 606,634,068 |
| Other long-term investments | 12 | 129,662,202 | 141,297,364 | 129,662,202 | 141,297,364 |
| Long-term loan to a related party | 4 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Investment properties | 13 | 316,485,388 | 313,582,388 | 316,485,388 | 313,582,388 |
| Property, plant and equipment | 14 | 8,268,329,835 | 8,729,184,315 | 7,758,312,441 | 8,206,746,330 |
| Intangible assets | 15 | 19,759,485 | 21,376,519 | 16,386,763 | 17,745,320 |
| Deferred tax assets | 16 | 3,516,930 | 9,657,805 | - | - |
| Other non-current assets | | 173,274,025 | 146,267,481 | 172,123,989 | 146,189,517 |
| **Total non-current assets** | | **9,451,010,176** | **9,871,909,140** | **9,033,122,773** | **9,465,708,264** |
| **Total assets** | | **11,659,319,026** | **12,111,621,391** | **11,286,564,627** | **11,762,705,002** |

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

# Statement of financial position

| Liabilities and equity | Note | Consolidated financial statements 30 September 2018 | Consolidated financial statements 30 September 2017 | Separate financial statements 30 September 2018 | Separate financial statements 30 September 2017 |
|---|---|---|---|---|---|
| | | | (in Baht) | | |
| ***Current liabilities*** | | | | | |
| Trade accounts payable | *4, 17* | 764,143,418 | 838,391,310 | 1,157,561,385 | 1,253,228,214 |
| Other payables to related parties | *4* | 152,814,925 | 240,953,898 | 155,477,105 | 243,355,731 |
| Other payables | *18* | 651,525,137 | 641,958,474 | 628,088,502 | 605,202,709 |
| Income tax payable | | - | 28,987 | - | - |
| Dividends payable | | 72,921,398 | 73,455,863 | 72,921,398 | 73,455,863 |
| Customers' deposits on bottles and cases | | 444,429,508 | 454,573,616 | 444,429,508 | 454,573,616 |
| Other current liabilities | | 48,476,753 | 37,600,650 | 47,431,551 | 35,329,774 |
| **Total current liabilities** | | **2,134,311,139** | **2,286,962,798** | **2,505,909,449** | **2,665,145,907** |
| ***Non-current liabilities*** | | | | | |
| Long-term loans from a related party | *4* | - | - | 1,530,968,165 | 1,530,968,165 |
| Deferred tax liabilities | *16* | 50,972,264 | 37,588,508 | 19,076,384 | 5,994,521 |
| Employee benefit obligations | *19* | 933,446,317 | 1,062,865,909 | 924,479,012 | 1,052,428,633 |
| **Total non-current liabilities** | | **984,418,581** | **1,100,454,417** | **2,474,523,561** | **2,589,391,319** |
| **Total liabilities** | | **3,118,729,720** | **3,387,417,215** | **4,980,433,010** | **5,254,537,226** |
| ***Equity*** | | | | | |
| Share capital: | *20* | | | | |
| Authorised share capital | | 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 |
| Premium on ordinary shares | *20* | 1,342,448,425 | 1,342,448,425 | 1,342,448,425 | 1,342,448,425 |
| Retained earnings | | | | | |
| Appropriated | *21* | | | | |
| Legal reserve | | 26,795,766 | 26,795,766 | 26,795,766 | 26,795,766 |
| General reserve | | 2,285,000,000 | 2,285,000,000 | 2,285,000,000 | 2,285,000,000 |
| Unappropriated (Deficit) | | 1,624,620,032 | 1,798,926,772 | (464,202,626) | (271,474,597) |
| Other components of equity | *21* | 2,995,824,599 | 3,005,132,729 | 2,850,189,568 | 2,859,497,698 |
| **Total equity** | | **8,540,589,306** | **8,724,204,176** | **6,306,131,617** | **6,508,167,776** |
| **Total liabilities and equity** | | **11,659,319,026** | **12,111,621,391** | **11,286,564,627** | **11,762,705,002** |

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

Sermsuk Public Company Limited and its Subsidiaries

# Statement of comprehensive income

| | Note | Consolidated financial statements For the year ended 30 September 2018 | 2017 | Separate financial statements For the year ended 30 September 2018 | 2017 |
|---|---|---|---|---|---|
| | | | (in Baht) | | |
| ***Income*** | *4, 22* | | | | |
| Revenue from sale of goods and rendering of services | | 10,819,526,673 | 10,623,059,411 | 10,803,488,073 | 10,550,849,639 |
| Other income | *23* | 339,672,799 | 257,041,601 | 439,024,952 | 336,057,814 |
| **Total income** | | **11,159,199,472** | **10,880,101,012** | **11,242,513,025** | **10,886,907,453** |
| ***Expenses*** | *4.22* | | | | |
| Cost of sales of goods and rendering of service | *8* | 7,827,770,932 | 7,735,589,585 | 7,828,794,548 | 7,719,817,373 |
| Selling expenses | *24* | 2,678,276,024 | 2,501,971,739 | 2,668,234,799 | 2,488,313,121 |
| Administrative expenses | *25* | 1,061,772,808 | 1,110,179,844 | 1,050,612,722 | 1,097,798,502 |
| **Total expenses** | | **11,567,819,764** | **11,347,741,168** | **11,547,642,069** | **11,305,928,996** |
| Share of profit of an associate, net of income tax | *10* | 126,934,396 | 142,669,752 | - | - |
| **Loss before income tax expense** | | **(281,685,896)** | **(324,970,404)** | **(305,129,044)** | **(419,021,543)** |
| Income tax benefit | *28* | 3,948,969 | 94,048,320 | 10,153,086 | 96,981,231 |
| **Loss for the year** | | **(277,736,927)** | **(230,922,084)** | **(294,975,958)** | **(322,040,312)** |
| **Other comprehensive income** | | | | | |
| ***Items that will not be reclassified to profit or loss*** | | | | | |
| Loss from revaluation of property, plant and equipment | | - | (134,309) | - | (134,309) |
| Defined benefit plan actuarial gains | *19* | 129,230,819 | 29,574,061 | 127,809,911 | 29,720,866 |
| Income tax on other comprehensive income | *28* | (25,800,632) | (5,900,550) | (25,561,982) | (5,917,312) |
| | | **103,430,187** | **23,539,202** | **102,247,929** | **23,669,245** |
| ***Items that are or may be reclassified to profit or loss*** | | | | | |
| Net change in fair value of available-for-sale investments | *12* | (11,635,162) | (3,702,098) | (11,635,162) | (3,702,098) |
| Income tax on other comprehensive income | *28* | 2,327,032 | 740,420 | 2,327,032 | 740,420 |
| | | **(9,308,130)** | **(2,961,678)** | **(9,308,130)** | **(2,961,678)** |
| **Other comprehensive income for the year net of income tax** | | **94,122,057** | **20,577,524** | **92,939,799** | **20,707,567** |
| **Total comprehensive income for the year** | | **(183,614,870)** | **(210,344,560)** | **(202,036,159)** | **(301,332,745)** |
| **Basic losses per share *(in Baht)*** | *29* | **(1.04)** | **(0.87)** | **(1.11)** | **(1.21)** |

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 for foreign operations | Fair value changes on available-for-sale investments | Revaluation surplus on land | Share premium from business under common control | Total other components of equity | Total equity |
| For the year ended 30 September 2017 | | | | | | | | | | | |
| Balance at 1 October 2016 | 265,900,484 | 1,342,448,425 | 26,795,766 | 2,285,000,000 | 2,906,202,207 | 31,118,966 | 25,174,260 | 2,984,241,543 | (32,332,915) | 3,008,201,854 | 8,934,548,736 |
| Comprehensive income for the year | | | | | | | | | | | |
| Loss | - | - | - | - | (230,922,084) | - | - | - | - | - | (230,922,084) |
| Other comprehensive income | - | - | - | - | 23,846,619 | - | (2,961,678) | (107,447) | - | (3,069,125) | 20,777,521 |
| Total comprehensive income for the year | - | - | - | - | (207,275,465) | - | (2,961,678) | (107,447) | - | (3,069,125) | (210,344,563) |
| Balance at 30 September 2017 | 265,900,484 | 1,342,448,425 | 26,795,766 | 2,285,000,000 | 1,798,926,742 | 31,118,966 | 22,212,582 | 2,984,134,096 | (32,332,915) | 3,005,132,729 | 8,724,204,173 |

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

Sermsuk Public Company Limited and its Subsidiaries

# Statement of changes in equity

Consolidated financial statements

| | Issued and paid-up share capital | Share premium | Retained earnings: Legal reserve | Retained earnings: General reserve | Retained earnings: Unappropriated | Other components of equity: Currency translation differences for the parent | Other components of equity: Fair value changes in available-for-sale investments | Other components of equity: Revaluation surplus on land | Other components of equity: Share premium from business combination under common control | Other components of equity: Total other components of equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| For the year ended 30 September 2018 | | | | | | | | | | | |
| Balance at 1 October 2017 | 265,900,464 | 1,342,448,425 | 26,795,766 | 2,285,000,000 | 1,798,926,773 | 31,118,966 | 23,212,583 | 2,984,134,096 | (32,332,915) | 3,005,133,730 | 8,734,304,176 |
| Comprehensive income for the year | | | | | | | | | | | |
| Loss | | | | | (237,736,927) | | | | | | (237,736,927) |
| Other comprehensive income | | | | | 105,430,187 | | (9,308,130) | | | (9,308,130) | 94,122,057 |
| Total comprehensive income for the year | - | - | - | - | (132,306,740) | - | (9,308,130) | - | - | (9,308,130) | (143,614,870) |
| Balance at 30 September 2018 | 265,900,464 | 1,342,448,425 | 26,795,766 | 2,285,000,000 | 1,624,620,033 | 31,118,966 | 13,904,453 | 2,984,134,096 | (32,332,915) | 2,995,824,599 | 8,590,689,306 |

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 (Deficit) (in Baht) | Fair value changes in available-for-sale investments | Revaluation surplus on land | Total other components of equity | Total equity |
| **For the year ended 30 September 2017** | | | | | | | | | |
| **Balance at 1 October 2016** | **265,900,484** | **1,342,448,425** | **26,795,766** | **2,285,000,000** | **26,789,023** | **25,174,260** | **2,837,392,563** | **2,862,566,823** | **6,809,500,521** |
| **Comprehensive income for the year** | | | | | | | | | |
| Loss | - | - | - | - | (322,046,312) | - | - | - | (322,046,312) |
| Other comprehensive income | - | - | - | - | 23,776,692 | (2,961,678) | (107,447) | (3,069,125) | 20,707,567 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **(298,269,620)** | **(2,961,678)** | **(107,447)** | **(3,069,125)** | **(301,332,745)** |
| **Balance at 30 September 2017** | **265,900,484** | **1,342,448,425** | **26,795,766** | **2,285,000,000** | **(271,474,597)** | **22,212,582** | **2,837,285,116** | **2,859,497,698** | **6,508,167,776** |

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

Sermsuk Public Company Limited and its Subsidiaries

# 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 (Deficit) (in Baht) | Fair value changes in available-for-sale investments | Revaluation surplus on land | Total other components of equity | Total equity |
| **For the year ended 30 September 2018** | | | | | | | | | |
| **Balance at 1 October 2017** | **265,900,484** | **1,342,448,425** | **26,795,766** | **2,285,000,000** | **(271,474,597)** | **22,212,582** | **2,837,285,116** | **2,859,497,698** | **6,508,167,776** |
| **Comprehensive income for the year** | | | | | | | | | |
| Loss | - | - | - | - | (294,975,958) | - | - | - | (294,975,958) |
| Other comprehensive income | - | - | - | - | 102,247,929 | (9,308,130) | - | (9,308,130) | 92,939,799 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **(192,728,029)** | **(9,308,130)** | **-** | **(9,308,130)** | **(202,036,159)** |
| **Balance at 30 September 2018** | **265,900,484** | **1,342,448,425** | **26,795,766** | **2,285,000,000** | **(464,202,626)** | **12,904,452** | **2,837,285,116** | **2,850,189,568** | **6,306,131,617** |

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

# Statement of cash flows

| | Note | Consolidated financial statements For the year ended 30 September 2018 | 2017 | Separate financial statements For the year ended 30 September 2018 | 2017 |
|---|---|---|---|---|---|
| | | | (in Baht) | | |
| ***Cash flows from operating activities*** | | | | | |
| Loss for the year | | (277,736,927) | (230,922,084) | (294,975,958) | (322,040,312) |
| *Adjustments for* | | | | | |
| Depreciation and amortisation | | 664,768,128 | 664,452,722 | 632,469,640 | 673,977,404 |
| Interest income | | (3,262,852) | (3,412,385) | (6,585,575) | (6,706,927) |
| Dividends income | 23 | (4,441,177) | (5,498,919) | (101,941,177) | (66,998,919) |
| Unrealised loss (gain) on exchange | | 954,846 | 23,271 | (59,740) | 23,271 |
| Reversal of allowance for doubtful accounts | 6, 7 | (3,924,753) | (9,160,028) | (3,924,753) | (9,160,028) |
| Reversal of allowance for decline in value of inventories | 8 | (12,402,903) | (31,203,213) | (12,401,785) | (24,983,805) |
| Gain on disposal of long term investment | 12 | - | (7,420,000) | - | (7,420,000) |
| Fair value changes in investment properties | 13 | (2,903,000) | (12,962,988) | (2,903,000) | (12,962,988) |
| Loss (gain) on disposal of plant, equipment and intangible assets | | (121,275,144) | 135,856,244 | (121,700,497) | 67,395,636 |
| Reversal of impairment loss on equipment | 14 | (25,322,165) | (26,353,164) | (25,322,165) | (26,353,164) |
| Employee benefit expenses | | 77,453,847 | 73,993,910 | 76,171,311 | 72,727,155 |
| Share of profit of an associate, net of income tax | 10 | (126,934,396) | (142,669,752) | - | - |
| Income tax benefit | 28 | (3,948,969) | (94,048,320) | (10,153,086) | (96,981,231) |
| | | 161,024,535 | 310,675,294 | 128,673,215 | 240,516,092 |
| *Changes in operating assets and liabilities* | | | | | |
| Trade accounts receivable | | 91,123,635 | (143,202,562) | 115,293,763 | (144,954,983) |
| Other receivables from related parties | | (164,861,575) | 169,187,323 | (148,567,257) | 156,964,508 |
| Other receivables | | 24,673,807 | 16,092,456 | 25,183,202 | 13,944,897 |
| Inventories | | 120,211,841 | 21,137,463 | 106,136,443 | 8,433,397 |
| Prepaid excise taxes | | 16,638,366 | 97,247,031 | 16,638,366 | 88,073,770 |
| Other current assets | | 20,438,344 | 71,502,729 | 19,903,136 | 72,487,721 |
| Other non-current assets | | (27,006,544) | (27,518,828) | (25,934,472) | (50,592,538) |
| Trade accounts payable | | (74,247,892) | (158,069,835) | (95,666,829) | (74,778,406) |
| Other payables to related parties | | (88,138,973) | (1,120,389) | (87,878,626) | (4,528,872) |
| Other payables | | 15,869,849 | (40,991,543) | 30,203,565 | (51,864,843) |
| Customers' deposits on bottles and cases | | (10,144,108) | 39,040,095 | (10,144,108) | 39,040,095 |
| Other current liabilities | | 10,876,103 | (15,561,249) | 12,101,777 | (13,641,474) |
| Employee benefit paid | | (73,133,293) | (97,086,070) | (71,801,693) | (97,044,770) |
| Cash from operating activities | | 23,324,095 | 241,331,915 | 14,140,482 | 182,054,594 |
| Income tax paid | | - | (2,050,314) | - | - |
| **Net cash from operating activities** | | **23,324,095** | **239,281,601** | **14,140,482** | **182,054,594** |

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

Sermsuk Public Company Limited and its Subsidiaries

# Statement of cash flows

| | Note | Consolidated financial statements For the year ended 30 September 2018 | Consolidated financial statements For the year ended 30 September 2017 | Separate financial statements For the year ended 30 September 2018 | Separate financial statements For the year ended 30 September 2017 |
|---|---|---|---|---|---|
| | | | (in Baht) | | |
| ***Cash flows from investing activities*** | | | | | |
| Interest received | | 3,262,852 | 3,407,782 | 6,585,575 | 6,702,324 |
| Dividends received | | 101,941,177 | 102,998,919 | 101,941,177 | 102,998,919 |
| Sale of long-term investment | | - | 42,420,000 | - | 42,420,000 |
| Restricted deposits at financial institution | | (4,645) | - | (4,645) | - |
| Purchase of plant and equipment | | (266,011,929) | (375,705,398) | (246,590,168) | (331,181,113) |
| Sale of plant, equipment and intangible assets | | 207,714,583 | 4,561,524 | 207,714,583 | 4,561,524 |
| Purchase of intangible assets | | (9,732,772) | (1,793,210) | (9,080,772) | (1,159,710) |
| **Net cash from (used in) investing activities** | | **37,169,266** | **(224,110,383)** | **60,565,750** | **(175,658,056)** |
| ***Cash flows from financing activities*** | | | | | |
| Dividend paid to the owners of the Company | | - | (405) | - | (405) |
| **Net cash used in financing activities** | | **-** | **(405)** | **-** | **(405)** |
| **Net increase in cash and cash equivalents** | | **60,493,361** | **15,170,813** | **74,706,232** | **6,396,133** |
| Cash and cash equivalents at 1 October | | 445,708,681 | 430,537,868 | 359,564,090 | 353,167,957 |
| **Cash and cash equivalents at 30 September** | *5* | **506,202,042** | **445,708,681** | **434,270,322** | **359,564,090** |
| ***Non-cash transactions*** | | | | | |
| Payables for acquisition of machinery and equipment | | 7,258,032 | 29,208,355 | 7,258,032 | 35,160,241 |

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

# Notes to the financial statements

For the year ended 30 September 2018

| 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 | Trade accounts payable |
| 18 | Other payables |
| 19 | Employee benefit obligations |
| 20 | Share capital |
| 21 | Reserves |
| 22 | Segment information |
| 23 | Other income |
| 24 | Selling expenses |
| 25 | Administrative expenses |
| 26 | Employee benefit expenses |
| 27 | Expenses by nature |
| 28 | Income tax benefit |
| 29 | Basic losses per share |
| 30 | Financial instruments |
| 31 | Commitments with non-related parties |
| 32 | Credit facilities |
| 33 | Contingent liabilities |
| 34 | Thai Financial Reporting Standards (TFRS) not yet adopted |

# Notes to the financial statements

For the year ended 30 September 2018

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 16 November 2018.

## 1 General information

Sermsuk Public Company Limited, "the Company", is incorporated in Thailand and has its registered office at 90 CW Tower, 31st – 32nd Floor, Ratchadapisek Road, Huay Khwang Bangkok Thailand (Formerly was 252/35-36, Muang Thai-Phatra Complex, Tower 1, 27-28th Floor, Rachadapisek Road, Huay Kwang, Bangkok Thailand). 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 period were So Water Co., Ltd. and Thai Beverage Public Company Limited. Both were incorporated in Thailand.

The principal activities of the Group are to produce and distribute soft drinks, drinking water, sport drinks, energy drinks and other beverages, including as distributor of soda, tea and other beverages. Details of the Company's subsidiaries as at 30 September 2018 and 2017 were as follows:

| Name of the entities | Type of business | Country of incorporation | Ownership interest (%) 30 September 2018 | 2017 |
|---|---|---|---|---|
| ***Direct subsidiaries*** | | | | |
| Great Brands Limited | Manage brands | Hong Kong | 100.00 | 100.00 |
| Sermsuk Holdings Co., Ltd. | Investment and holding shares in other companies | Thailand | 99.99 | 99.99 |
| Sermsuk Training Co., Ltd. | Human resources development and organisation | Thailand | 99.99 | 99.99 |
| ***Indirect subsidiaries*** | | | | |
| Serm Suk Beverage Co., Ltd. | Produce and distribute tea, and sports drinks | Thailand | 99.99 | 99.99 |
| Wrangyer Beverage (2008) Co., Ltd. | Produce and distribute energy drink | Thailand | 99.99 | 99.99 |

# Notes to the financial statements

For the year ended 30 September 2018

## 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.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2017. 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 new and revised TFRS which are not yet effective for current periods. The Group has not early adopted these standards in preparing these financial statements. Those new and revised TFRS that are relevant to the Group's operations are disclosed in note 34.

*(b) Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items.

| ***Items*** | ***Measurement bases*** |
|---|---|
| Available-for-sale financial assets | Fair value |
| Investment properties | Fair value |
| Property, plant and equipment | Revaluation |
| Net defined benefit liability | Present value of the defined benefit obligation, limited as explained in Note 3 (m) |

*(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.

# Notes to the financial statements

For the year ended 30 September 2018

*(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 accounting policies and the 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 (r) | Current and deferred taxation |
| Note 13 | Valuation of investment properties |
| Note 14 | Valuation of property, plant and equipment |
| Note 16 | Utilisation of tax losses |
| Note 19 | Measurement of defined benefit obligations: key actuarial assumptions; and |
| Notes 33 | Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. |

*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.

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 chef financial 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.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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
- Note 30 financial instruments

*(e) Financial position and operating plan*

The Group incurred a net loss of Baht 277.74 million for the year ended 30 September 2018 (2017: Baht 230.92 million) and the Company incurred a net loss of Baht 294.98 million for the year ended 30 September 2018 (2017: Baht 322.04 million) and the Company has deficit of Baht 464.20 million as of 30 September 2018 (2017: Baht 271.47 million). As of that date, the Company's current liabilities is exceeded current asset by Baht 252.47 million (2017: Baht 368.15 million).

The Company's management has given careful consideration to the Group's and Company's financial and liquidity position and has executed plans to growth target sale for volume and market share by implementing modern technology in the sales and improve the efficiency of distribution to reach targeted customers to support diversify of products. Moreover, the Group has expense control plans for various areas to improve its financial position, liquidity, cash flows and operating results.

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.

## 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 investee*

The Group's interests in equity-accounted investee are interests in associate.

Associate is that entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associate are accounted for using the equity method. They are 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 investee, until the date which significant influence is lost.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with associate 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.

**(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 operations*

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

The revenues and expenses of foreign operations are 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 accumulated 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.

### *(e) Inventories*

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

Cost of finished goods, work in progress and other supplies 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) 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.

*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 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.

**(g) *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.

**(h) *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.

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.

# Notes to the financial statements

For the year ended 30 September 2018

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.

***(i) Intangible assets***

*Trademarks*

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

*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.

***(j) 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 inpairment 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 inpaired, 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.

*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.

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

Interest-bearing liabilities are recognised as stated in the agreement.

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

Trade and other accounts payable are stated at cost.

### *(m) 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 recognised 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 recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*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 recognised 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 recognises 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.

**(n) *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.

# Notes to the financial statements

For the year ended 30 September 2018

**(o) *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.

*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 they accrue.

**(p) *Finance costs***

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial year of time to be prepared for its intended use or sale.

**(q) *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.

***(r) 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 to items recognised directly in equity or in other comprehensive income.

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.

# Notes to the financial statements

For the year ended 30 September 2018

### *(s) Losses per share*

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

### *(t) 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.

## 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, an associate and subsidiaries are described in notes 1, 10 and 11. Relationships with key management and other related parties were as follows:

| Name of entities | Country of incorporation/ nationality | Nature of relationships |
|---|---|---|
| Key management personnel | Singapore/ 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 Public Co., Ltd. | Thailand | Parent Company and common director |
| 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 until 31 March 2017 |
| Sang Som Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| 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 |
| Sura Bangyikhan Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Piromsurang Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Sunthronpirom Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Thipchalothorn Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| United Products 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 |
| Pomburapa Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Pomthip(2012)Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Num Yuk 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 |

Sermsuk Public Company Limited and its Subsidiaries

# Notes to the financial statements

For the year ended 30 September 2018

| Name of entities | Country of incorporation/ nationality | Nature of relationships |
|---|---|---|
| Num Palang Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Num Kijjakarn Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Numrungrod Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Numthip Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Pan International(Thailand) 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 |
| Horeca Management Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Bev Tech Co., Ltd | Thailand | Direct subsidiary of the ultimate parent company |
| Cash Van Management Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| C A C Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Chang International Co., Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| Agent Management Co.,Ltd. | Thailand | Direct subsidiary of the ultimate parent company |
| ASM 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 |
| Oishi Food Service Co., Ltd. | Thailand | Indirect subsidiary of Indirect subsidiary of the ultimate parent company |
| Food of Asia Co.,Ltd. | Thailand | Indirect subsidiary of the ultimate parent company |
| Spice of Asia Co., Ltd. | Thailand | Indirect subsidiary of Indirect subsidiary of the ultimate parent company |
| The QSR of Asia Co., Ltd. | Thailand | Indirect subsidiary of Indirect subsidiary of the ultimate parent company |
| Super Brands Company Pte Ltd. | Singapore | Indirect subsidiary of the ultimate parent company |
| F&N Interflavine Pte Ltd. | Singapore | 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. |

# Notes to the financial statements

For the year ended 30 September 2018

| Name of entities | Country of incorporation/ nationality | Nature of relationships |
|---|---|---|
| BJC Specialties Co., Ltd. | Thailand | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly. |
| Big C Supercenter PLC. | Thailand | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly and common directors |
| North Park Golf And Sports Club Co., Ltd. | Thailand | Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly and common directors |
| 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 |
| 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 |
| Petform (Thailand) Co., Ltd. | Thailand | Associated Company |

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 |
| Revenue for consultancy service | Contractual prices |
| 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 |
| 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 |

# Notes to the financial statements

For the year ended 30 September 2018

Significant transactions for the years ended 30 September 2018 and 2017 with related parties were as follows:

| | Consolidated financial statements For the year ended 30 September | | Separate financial statements For the year ended 30 September | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| **Subsidiaries** | | | | |
| Sale of goods and rendering of services | - | - | 11,082 | 37,085 |
| Other income | - | - | - | 4,000 |
| Purchase of finished goods and services | - | - | 342,085 | 342,114 |
| Interest income | - | - | 3,875 | 3,876 |
| Selling and administrative expenses | - | - | 41,550 | 40,964 |
| **An associate** | | | | |
| Purchase of raw materials | 872,667 | 811,026 | 872,667 | 811,026 |
| Dividend income | 97,500 | 61,500 | 97,500 | 61,500 |
| Other income | 5,161 | 4,412 | 5,161 | 4,412 |
| Selling Expense | 418 | 1,060 | 418 | 1,060 |
| **Key management personnel** | | | | |
| Post-employment benefits | 2,908 | 2,908 | 2,908 | 2,908 |
| Other long-term benefits | 6 | 6 | 6 | 6 |
| Directors' remunerations | 7,755 | 8,279 | 7,755 | 8,279 |
| **Total key management personnel compensation** | **10,669** | **11,193** | **10,669** | **11,193** |
| **Other related parties** | | | | |
| Sale of goods and rendering of services | 3,842,434 | 3,533,685 | 3,836,362 | 3,504,614 |
| Other income | 55,353 | 36,867 | 55,353 | 36,867 |
| Revenue for consultancy service | - | 43,333 | - | 43,333 |
| Dividend income | 4,441 | 5,499 | 4,441 | 5,499 |
| Purchase of finished goods and raw materials | 3,064,363 | 3,234,083 | 2,994,285 | 3,160,006 |
| Subsidy for marketing expense | 610,793 | 348,102 | 610,793 | 348,102 |
| Selling expenses | 407,667 | 264,801 | 407,667 | 264,801 |
| Administrative expenses | 136,245 | 112,543 | 135,598 | 111,907 |

Balances as at 30 September 2018 and 2017 with related parties were as follows:

| ***Trade accounts receivable from related parties*** | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | |
| Ultimate parent company | 101 | 135 | 101 | 135 |
| Subsidiaries | - | - | - | 42,252 |
| Other related parties | 324,762 | 393,382 | 323,751 | 389,335 |
| **Total** | **324,863** | **393,517** | **323,852** | **431,722** |

# Notes to the financial statements

For the year ended 30 September 2018

| *Other receivables from related parties* | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Subsidiaries | - | - | 40,726 | 57,035 |
| An associate | 90 | 3,639 | 90 | 3,639 |
| Other related parties | 461,651 | 293,240 | 461,620 | 293,195 |
| **Total** | **461,741** | **296,879** | **502,436** | **353,869** |

| *Loans to related parties* | | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | *(% per annum)* | | *(in thousand Baht)* | | | |
| ***Short-term loan*** | | | | | | |
| Subsidiary | 3.10 | 3.10 | - | - | 125,000 | 125,000 |
| ***Long-term loan*** | | | | | | |
| Other related party | 3.90 - 4.05 | 4.44 | 3,000 | 3,000 | 3,000 | 3,000 |
| **Total** | | | **3,000** | **3,000** | **128,000** | **128,000** |

There were no movements on the short-term and long-term loans to related parties for the year ended 30 September 2018 and 2017.

Balance as at 30 September 2018 and 2017 with related parties were as followings:

| *Trade accounts payable to related parties* | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Subsidiaries | - | - | 426,475 | 447,406 |
| An associate | 143,819 | 142,195 | 143,819 | 142,195 |
| Other related parties | 398,218 | 438,679 | 381,694 | 416,570 |
| **Total** | **542,037** | **580,874** | **951,988** | **1,006,171** |

| *Other payables to related parties* | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Subsidiaries | - | - | 2,739 | 2,453 |
| Other related parties | 152,815 | 240,954 | 152,738 | 240,903 |
| **Total** | **152,815** | **240,954** | **155,477** | **243,356** |

| *Long-term loans from related parties* | Interest rate | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | *(% per annum)* | | *(in thousand Baht)* | | | |
| Subsidiary | - | - | - | - | **1,530,968** | **1,530,968** |

There were no movements on the short-term and long-term loans to related parties for the year ended 30 September 2018 and 2017.

***Employee benefit obligations***

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Employee benefit obligations | 44,685 | 41,771 | 44,685 | 41,771 |

***Significant agreements with related parties***

*Loan agreements*

On 21 May 2009, the Company entered into a long-term loan agreement with The Pet Co., Ltd., "Borrower", in the amount of Baht 3 million, and repay within 20 May 2014. The agreement 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 the 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 29 June 2018, the Company and the Lender made an amendment whereby the parties agreed to extend the loan maturity date for eight years from the date acquired the loan to 24 December 2022. At 30 September 2018, the Company had utilised loan facility totalling Baht 1,530.97 million. *(2017: 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, provided that the existing contract will be automatically renewed for additional periods (three year each), unless one of the contracting parties objects to such extension within ninety days prior to the lapse of each contract term. The agreement had been automatically renewed for additional periods (three year each) until to 31 March 2021, the parties agree to amend the agreement reflecting 10% product price increase (from the original price), subject to further price change to be agreed by the parties.

The Company entered into an agreement with its related party 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 15 November 2018.

The Company entered into an agreement with its related party 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 one year and effective from 1 October 2017 to 30 September 2018. Currently, the agreement is a waiting to be prepared and signed.

*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 conditions as specified in the agreement for a period of three years and ends on 28 February 2018, with a renewal option to extend for a further period of one year from the expiration date. The Company renewed the contract for three years and ends on 28 February 2021.

The Company entered into various agreements with related companies to act as a distributor for Soda products which the Company is a non-producer. The Company has to comply with conditions as specified in the agreement. The agreement is from 31 August 2016 to 31 December 2017. If either party does not show the intention to renew the contract in advance for at least 30 days ahead, the existing contract will be extended for additional periods of 1 year. The agreements have been terminated effective on 1 May 2017.

The Company entered into agreement with a related company to act as a distributor for Soda products which the Company is a non-producer. The Company has to comply with conditions as specified in the agreement. The agreement is from 1 May 2017 to 30 September 2018. If either party does not show the intention to renew the contract in advance for at least 30 days ahead, the existing contract will be extended for additional periods of 1 year. This contract has been terminated since 1 December 2017.

The Company entered into agreement with a related company to act as a distributor for Soda products which the Company is a non-producer. The Company has to comply with conditions as specified in the agreement. The agreement is from 1 December 2017 to 30 September 2018. If either party does not show the intention to renew the contract in advance for at least 30 days ahead, the existing contract will be extended for additional periods of 1 year. The agreement is a waiting to be prepared and signed.

The Company entered into agreement with a related company to act as a distributor for 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 April 2015 to 31 March 2018. Unless there is a notification from a party tendering to the other with a view to terminate the agreement not later than 30 days prior to the expiration date, this agreement continues to be in effect for the successive three years term.The agreement was automatically extended for additional periods (three year each).

*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. Unless there is notification to terminate the agreement, this agreement continues to be in effect for the successive 5 years term. The Company renewed the contract for 1 year and ends on 31 July 2018. On 25 June 2018, the Company renewed the contact for one year and ends on 31 July 2019.

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. Unless there is notification from either party gives to other to terminate the agreement not later than 6 months prior to the expiration date, this agreement continues to be in effect for the successive 3 years term.

The Company entered into a "Co-packing" agreement with a related company to produce product under "est" trademark for the export purpose only. The Company has to comply with conditions as specified in the agreement for a period of one year, effective from 1 April 2016 to 31 March 2017. Unless there is notification from either party gives to other to terminate the agreement not later than 90 days prior to the expiration date, this agreement continues to be in effect for the successive 1 year term.

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. Unless there is notification from either party gives to other to terminate the agreement not later than 6 months prior to the expiration date, this agreement continues to be in effect for the successive 3 years term.

The Company entered into a "Co-packing and Distribution" agreement with a related company to produce and distribute product under "Sarsi" trademark. The draft agreement is to be finalised of product price by the contracting parties.

*Consultancy services agreement*

The Company entered into a software licensing with a related company to manage the permission and maintenance the system. The agreement is for a period of 3 years ends on 31 August 2018 with service fee in amount of Bath 1.23 million per month. In 1 September 2018 the company extended agreement for two years and ends on to 31 August 2020.

*Sublease agreement for office space and service agreement*

On 16 July 2017, the Company entered into a sublease agreement for office space and service agreement with a related company. The agreement is for a period from 16 July 2017 to 22 May 2020. The Company is committed to pay rental and service fee on the rates as stipulated in the agreement. This agreement shall be renewed period by notify in advance at least 90 days and will be effected for another 1 year each from the expiration of the initial term or any renewal principal.

***Commitments with related parties***

***Operating lease commitments***

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Within one year | 44,451 | 35,760 | 44,143 | 35,452 |
| After one year but within five years | 91,276 | 43,862 | 91,173 | 43,469 |
| After five years | 76,728 | - | 76,728 | - |
| **Total** | **212,455** | **79,622** | **212,044** | **78,921** |

***Other commitments***

As at 30 September 2018, the Company had commitments for purchase orders for goods with related parties amounting to Baht 8.23 million *(2017: 23.04 million)*.

## 5 Cash and cash equivalents

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Cash on hand | 47,184 | 45,395 | 47,154 | 45,364 |
| Cash at banks - current accounts | 63,349 | 49,563 | 51,052 | 48,392 |
| Cash at banks - savings accounts | 395,669 | 350,751 | 336,064 | 265,808 |
| **Total** | **506,202** | **445,709** | **434,270** | **359,564** |

# Notes to the financial statements

For the year ended 30 September 2018

The currency denomination of cash and cash equivalents as at 30 September was as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Thai Baht (THB) | 477,328 | 415,183 | 434,270 | 359,564 |
| Hong Kong Dollars (HKD) | 28,874 | 30,526 | - | - |
| **Total** | **506,202** | **445,709** | **434,270** | **359,564** |

## 6 Trade accounts receivable

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| Related parties | 4 | 324,863 | 393,517 | 323,852 | 431,722 |
| Other parties | | 225,541 | 248,011 | 225,511 | 232,935 |
| **Total** | | **550,404** | **641,528** | **549,363** | **664,657** |
| *Less* allowance for doubtful accounts | | (15,500) | (20,097) | (15,500) | (20,097) |
| **Net** | | **534,904** | **621,431** | **533,863** | **644,560** |

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Reversal of bad and doubtful debts expenses | **(4,597)** | **(12,569)** | **(4,597)** | **(12,569)** |

Aging analyses for trade accounts receivable were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| **Related parties** | | | | |
| Within credit terms | 324,863 | 352,219 | 323,852 | 390,424 |
| Overdue: | | | | |
| Less than 1 month | - | - | - | - |
| 1 - 3 months | - | 41,298 | - | 41,298 |
| | **324,863** | **393,517** | **323,852** | **431,722** |
| **Other parties** | | | | |
| Within credit terms | 160,275 | 177,105 | 160,245 | 162,104 |
| Overdue: | | | | |
| Less than 1 month | 40,620 | 36,514 | 40,620 | 36,439 |
| 1 - 3 months | 9,208 | 12,875 | 9,208 | 12,875 |
| Over 3 months | 15,438 | 21,517 | 15,438 | 21,517 |
| | **225,541** | **248,011** | **225,511** | **232,935** |
| *Less* allowance for doubtful accounts | (15,500) | (20,097) | (15,500) | (20,097) |
| **Net** | **210,041** | **227,914** | **210,011** | **212,838** |
| **Total** | **534,904** | **621,431** | **533,863** | **644,560** |

# Notes to the financial statements

For the year ended 30 September 2018

The normal credit term granted by the Group ranges from 15 days to 60 days.

Trade accounts receivable of the Group and the Company as at 30 September 2018 and 2017 were denominated entirely in Thai Baht.

## 7 Other receivables

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Other receivables | 25,563 | 29,151 | 25,286 | 29,007 |
| *Less* allowance for doubtful accounts | (16,073) | (15,402) | (16,073) | (15,402) |
| **Net** | **9,490** | **13,749** | **9,213** | **13,605** |
| Prepaid expenses | 50,567 | 66,921 | 50,325 | 66,670 |
| Advance payment | 2,935 | 2,439 | 2,492 | 2,381 |
| Unearned revenue | 12,522 | 17,750 | 12,522 | 17,751 |
| **Total** | **75,514** | **100,859** | **74,552** | **100,407** |

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Bad debts and doubtful debts expenses | **671** | **3,410** | **671** | **3,410** |

## 8 Inventories

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Finished goods | 363,511 | 462,808 | 354,505 | 448,123 |
| Work in progress | 3,872 | 17,151 | 3,872 | 4,516 |
| Raw materials and supplies | 228,769 | 225,557 | 197,514 | 197,152 |
| Spare parts | 97,963 | 109,370 | 93,258 | 105,556 |
| Other supplies | 2,637 | 3,195 | 2,637 | 2,575 |
| | **696,752** | **818,081** | **651,786** | **757,922** |
| *Less* allowance for decline in value | (92,164) | (105,684) | (92,164) | (104,565) |
| **Net** | **604,588** | **712,397** | **559,622** | **653,357** |

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Inventories recognised as an expense in 'cost of sales of goods': | | | | |
| - Cost | 7,823,956 | 7,687,781 | 7,824,838 | 7,713,720 |
| - Write-down to net realisable value | 11,994 | 15,694 | 11,994 | 14,575 |
| - Reversal of write-down | (25,514) | (46,897) | (24,395) | (39,559) |
| **Net** | **7,810,436** | **7,656,578** | **7,812,437** | **7,688,736** |

# Notes to the financial statements

For the year ended 30 September 2018

## 9 Non-current assets held for sale

The Company's condominium units (previously were used as the Company's office spaces) is presented as non-current assets held for sale due to the Company has a plan to sell these unused condominium according to the Company's before sale and purchase memorandum of agreement on 15 June 2018. The Company sold this building on 30 September 2018 and recognized gain on disposal of Baht 164.20 million.

Details of non-current assets held for sale as at 30 September 2018 was as follows

| | Consolidated financial statements | Separate financial statements |
|---|---|---|
| | *(in thousand Baht)* | |
| Cost | 194,136 | 194,136 |
| *Less* Accumulated depreciation | (166,647) | (166,647) |
| Net book value | 27,489 | 27,489 |
| Disposal | (27,489) | (27,489) |
| Net book value as at 30 September 2018 | - | - |

**Cumulative income or expense recognised in other comprehensive income**

There is no cumulative income or expense recognised in other comprehensive income relating to the disposal assets

## 10 Investment in an associate

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | |
| At 1 October | 507,030 | 425,860 | 30,000 | 30,000 |
| Share of net profit of an associate | 126,934 | 142,670 | - | - |
| Dividend income | (97,500) | (61,500) | - | - |
| **At 30 September** | **536,464** | **507,030** | **30,000** | **30,000** |

# Notes to the financial statements

For the year ended 30 September 2018

Investment in an associate as at 30 September 2018 and 2017, and dividend income from this investment for the year ended 30 September 2018 and 2017, were as follows:

| | Consolidated financial statements | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ownership interest | | Paid-up capital | | Cost | | Equity | | Dividend income | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (%) | | | | (in thousand Baht) | | | | | |
| Perform (Thailand) Limited | 40 | 40 | 75,000 | 75,000 | 30,000 | 30,000 | 536,464 | 507,030 | 97,500 | 61,500 |

| | Separate financial statements | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Ownership interest | | Paid-up capital | | Cost | | Dividend income | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (%) | | | | (in thousand Baht) | | | |
| Perform (Thailand) Limited | 40 | 40 | 75,000 | 75,000 | 30,000 | 30,000 | 97,500 | 61,500 |

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.

# Notes to the financial statements

For the year ended 30 September 2018

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.

| | Petform (Thailand) Limited | |
|---|---|---|
| | 2018 | 2017 |
| | *(in thousand Baht)* | |
| Revenue | 3,057,780 | 2,889,841 |
| Profit from continuing operations | 319,958 | 356,284 |
| Other comprehensive income | 479 | (70) |
| **Total comprehensive income** | **320,437** | **356,214** |
| Attributable to NCI | 193,024 | 213,614 |
| Group's share of total comprehensive income | 126,934 | 142,670 |
| | | |
| Current assets | 636,646 | 578,577 |
| Non-current assets | 1,784,327 | 1,901,497 |
| Current liabilities | (788,249) | (812,670) |
| Non-current liabilities | (289,369) | (400,735) |
| **Net assets** | **1,343,355** | **1,266,669** |
| Attributable to NCI | 806,013 | 760,001 |
| Carrying amount of interest in associate | 537,342 | 506,668 |

# Notes to the financial statements

For the year ended 30 September 2018

## 11 Investments in subsidiaries

Investments in subsidiaries as at 30 September 2018 and 2017, and dividend income from those investments for the year ended 30 September 2018 and 2017, were as follows:

| Subsidiaries | Type of business | Ownership interest | | Separate financial statements | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Paid-up capital | | Cost | | Dividend income | |
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | (%) | | | | (in thousand Baht) | | | |
| ***Direct subsidiaries*** | | | | | | | | | |
| Sermsuk 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 | - | - |
| Sermsuk Training Co., Ltd. | Human resources development and organisation | 99.99 | 99.99 | 2,500 | 2,500 | 2,500 | 2,500 | - | - |
| **Total** | | | | | | **606,634** | **606,634** | - | - |

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

# Notes to the financial statements

For the year ended 30 September 2018

## 12 Other long-term investments

Other long-term investments as at 30 September 2018 and 2017, and dividend income from those investments for the year ended 30 September 2018 and 2017, were as follows:

| | Consolidated and Separate financial statements | | | |
|---|---|---|---|---|
| | Cost method | | Dividend income | |
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| ***Equity securities available for sale*** | | | | |
| Crown Seal Public Company Limited | 47,863 | 59,498 | 1,587 | 2,644 |
| ***Non marketable equity securities*** | | | | |
| The Pet Company Limited | 7,000 | 7,000 | 700 | 700 |
| Bangkok Glass Public Company Limited | 74,799 | 74,799 | 2,155 | 2,155 |
| | 81,799 | 81,799 | 2,855 | 2,855 |
| **Total** | **129,662** | **141,297** | **4,442** | **5,499** |

Movements during the year ended 30 September 2018 and 2017 were as follows:

| | Consolidated and Separate financial statements | |
|---|---|---|
| | 2018 | 2017 |
| | *(in thousand Baht)* | |
| ***Equity securities available for sale*** | | |
| At 1 October | 59,498 | 63,200 |
| Valuation adjustment | (11,635) | (3,702) |
| **At 30 September** | **47,863** | **59,498** |
| ***Investments-other related parties*** | | |
| At 1 October | 81,799 | 116,799 |
| Sales during the year / period | - | (35,000) |
| **At 30 September** | **81,799** | **81,799** |
| ***Total Other long-term investments*** | | |
| At 1 October | 141,297 | 179,999 |
| Valuation adjustment | (11,635) | (3,702) |
| Sales during the year / period | - | (35,000) |
| **At 30 September** | **129,662** | **141,297** |

During the year 2017, the Company sold investment in Petpack Co., Ltd. of Baht 35 million to a related party for a consideration of Baht 42.4 million. The Company recognised gain of Baht 7.4 million in the statement of comprehensive income for the year ended 30 September 2017.

Other long-term investments of the Group and the Company as at 30 September 2018 and 2017 were denominated entirety in Thai Baht.

# Notes to the financial statements

For the year ended 30 September 2018

## 13 Investment properties

| | Consolidated and Separate financial statements | | |
|---|---|---|---|
| | Land | Building | Total |
| | *(in thousand Baht)* | | |
| At 1 October 2016 | 295,519 | 5,100 | 300,619 |
| Fair value adjustments | 12,963 | - | 12,963 |
| **At 30 September 2017 and 1 October 2017** | **308,482** | **5,100** | **313,582** |
| Fair value adjustments | 2,723 | 180 | 2,903 |
| **At 30 September 2018** | **311,205** | **5,280** | **316,485** |

Investment properties were revalued as at 30 September 2018 and 2017 by Thai Property Appraisal Lynn Philips Co., Ltd., a firm 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 316.49 million *(2017: 315.58 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.

| | *(in thousand Baht)* |
|---|---|
| Balance at 1 October 2017 | 313,582 |
| **Gain included in "other income"** | |
| Changes in fair value (unrealised) | 2,903 |
| **Balance at 30 September 2018** | **316,485** |

*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 | • Asking price of comparable property<br>• Source of data used in valuation |

# Notes to the financial statements

For the year ended 30 September 2018

## 14 Property, plant and equipment

| | Consolidated financial statements | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | | Buildings, warehouses and improvement | Condo-miniums | Machinery, equipment and tools | Vehicles | Furniture and office equipment | Plastic pallets | Container | Marketing promotion equipments | Assets under construction and installation | Total |
| | Historical cost | Surplus on revaluation | | | | *(in thousand Baht)* | | | | | | |
| ***Cost/revaluation*** | | | | | | | | | | | | |
| At 1 October 2016 | 500,266 | 3,730,302 | 2,594,861 | 172,447 | 6,431,931 | 1,749,010 | 329,639 | 358,571 | 1,597,257 | 3,909,702 | 100,440 | 21,474,426 |
| Additions | - | - | 34,912 | - | 98,246 | 9,110 | 23,258 | 2,970 | 40,588 | 36,108 | 101,575 | 346,767 |
| Transfers | - | (134) | 19,562 | (347) | 108,616 | 1,061 | 1,302 | - | - | 2,285 | (132,499) | (134) |
| Disposals | - | - | (160) | - | (11,685) | (19,624) | (14,562) | (2) | (261,177) | - | - | (307,210) |
| **At 30 September 2017 and 1 October 2017** | **500,266** | **3,730,168** | **2,649,175** | **172,100** | **6,627,108** | **1,739,577** | **339,637** | **361,539** | **1,376,668** | **3,948,095** | **69,516** | **21,513,849** |
| Additions | - | - | 24,674 | - | 72,011 | 7,496 | 6,088 | 5,940 | 68,063 | 13,347 | 56,440 | 254,059 |
| Transfers | - | - | 7,548 | - | 54,005 | 986 | 39 | - | - | (324) | (62,254) | - |
| Transfer to Non-current Asset held for sale | - | - | - | (172,100) | - | - | (22,036) | - | - | - | - | (194,136) |
| Disposals | - | - | (1,403) | - | (23,717) | (70,485) | (6,334) | (2,218) | (96,160) | (176,609) | - | (376,926) |
| **At 30 September 2018** | **500,266** | **3,730,168** | **2,679,994** | **-** | **6,729,407** | **1,677,574** | **317,394** | **365,261** | **1,348,571** | **3,784,509** | **63,702** | **21,196,846** |

# Notes to the financial statements

For the year ended 30 September 2018

| | Consolidated financial statements | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | | Buildings, warehouses and improvement | Condo-miniums | Machinery, equipment and tools | Vehicles | Furniture and office equipment | Plastic pallets | Container | Marketing promotion equipments | Assets under construction and installation | Total |
| | Historical cost | Surplus on revaluation | | | | *(in thousand Baht)* | | | | | | |
| ***Depreciation and impairment losses*** | | | | | | | | | | | | |
| At 1 October 2016 | - | - | 1,390,962 | 138,919 | 4,717,829 | 1,548,369 | 291,056 | 341,057 | 291,595 | 3,592,096 | - | 12,311,913 |
| Depreciation charge for the year | - | - | 83,682 | 3,400 | 286,831 | 44,863 | 19,950 | 6,349 | 108,975 | 106,518 | - | 660,568 |
| Loss on impairment | - | - | - | - | - | - | - | - | (26,353) | - | - | (26,353) |
| Disposals | - | - | (105) | - | (11,658) | (19,578) | (14,504) | - | (120,948) | - | - | (166,793) |
| **At 30 September 2017 and 1 October 2017** | - | - | **1,474,539** | **142,319** | **4,993,002** | **1,573,654** | **296,502** | **347,436** | **253,269** | **3,698,614** | - | **12,779,335** |
| Depreciation charge for the year | - | - | 97,664 | 2,438 | 262,652 | 56,483 | 19,252 | 6,919 | 105,623 | 102,765 | - | 653,796 |
| Transfer to Non-current Asset held for sale | - | - | - | (144,757) | - | - | (21,621) | - | - | - | - | (166,378) |
| Loss on impairment | - | - | - | - | - | - | - | - | (25,322) | - | - | (25,322) |
| Disposals | - | - | (775) | - | (23,595) | (70,463) | (6,313) | (2,216) | (38,265) | (176,618) | - | (318,245) |
| **At 30 September 2018** | - | - | **1,571,428** | - | **5,232,059** | **1,559,674** | **287,820** | **352,139** | **295,305** | **3,624,761** | - | **12,923,186** |
| ***Allowance for loss of marketing promotion equipments*** | | | | | | | | | | | | |
| At 1 October 2016 | - | - | - | - | - | - | - | - | - | 5,330 | - | 5,330 |
| **At 30 September 2017 and 1 October 2017** | - | - | - | - | - | - | - | - | - | 5,330 | - | 5,330 |
| **At 30 September 2018** | - | - | - | - | - | - | - | - | - | 5,330 | - | 5,330 |

# Notes to the financial statements

For the year ended 30 September 2018

| | Consolidated financial statements | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | | Buildings, warehouses and improvement | Condo-miniums | Machinery, equipment and tools | Vehicles | Furniture and office equipment | Plastic pallets | Container | Marketing promotion equipments | Assets under construction and installation | Total |
| | Historical cost | Surplus on revaluation | | | | *(in thousand Baht)* | | | | | | |
| **Net book value** | | | | | | | | | | | | |
| **At 1 October 2016** | **500,266** | **3,730,302** | **1,203,899** | **33,528** | **1,714,102** | **200,641** | **38,583** | **17,484** | **1,305,662** | **312,276** | **100,440** | **9,157,183** |
| **At 30 September 2017 and 1 October 2017** | **500,266** | **3,730,168** | **1,174,636** | **29,781** | **1,634,106** | **165,923** | **43,135** | **14,103** | **1,123,399** | **244,151** | **69,516** | **8,729,184** |
| **At 30 September 2018** | **500,266** | **3,730,168** | **1,108,566** | **-** | **1,497,348** | **117,900** | **29,574** | **13,122** | **1,053,266** | **154,418** | **63,702** | **8,268,330** |

Sermsuk Public Company Limited and its Subsidiaries

# Notes to the financial statements

For the year ended 30 September 2018

**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 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Surplus on revaluation | | | | | | | | | | |
| | | | | | | *(in thousand Baht)* | | | | | | |
| ***Cost/revaluation*** | | | | | | | | | | | | |
| At 1 October 2016 | 375,763 | 3,546,741 | 2,283,846 | 172,447 | 5,851,570 | 1,741,111 | 319,380 | 334,711 | 1,565,679 | 3,909,703 | 99,593 | 20,200,544 |
| Additions | - | - | 29,421 | - | 80,169 | 9,110 | 22,554 | 2,970 | 34,468 | 36,108 | 81,551 | 296,291 |
| Transfers | - | (134) | 19,262 | (347) | 101,888 | 1,081 | 1,302 | - | - | 2,285 | (125,471) | (134) |
| Disposals | - | - | - | - | (10,804) | (19,625) | (12,915) | - | (107,573) | - | - | (150,917) |
| **At 30 September 2017 and 1 October 2017** | **375,763** | **3,546,607** | **2,332,529** | **172,100** | **6,022,763** | **1,731,677** | **330,321** | **337,681** | **1,492,574** | **3,948,096** | **55,673** | **20,345,784** |
| Additions | - | - | 21,072 | - | 63,419 | 7,275 | 4,888 | 5,940 | 68,062 | 13,347 | 41,788 | 225,791 |
| Transfers | - | - | 6,847 | - | 30,407 | 986 | 39 | - | - | (324) | (37,955) | - |
| Transfer to Non-current Asset held for sale | - | - | - | (172,100) | - | - | (22,036) | - | - | - | - | (194,136) |
| Disposals | - | - | (716) | - | (23,161) | (70,485) | (6,334) | (2,218) | (96,143) | (176,609) | - | (375,666) |
| **At 30 September 2018** | **375,763** | **3,546,607** | **2,359,732** | **-** | **6,093,428** | **1,669,453** | **306,878** | **341,403** | **1,464,493** | **3,784,510** | **59,506** | **20,001,773** |

# Notes to the financial statements

For the year ended 30 September 2018

| | 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 | Total |
| | Historical cost | Surplus on revaluation | | | | | | | | | | |
| | | | | | | *(in thousand Baht)* | | | | | | |
| ***Depreciation and impairment losses*** | | | | | | | | | | | | |
| At 1 October 2016 | - | - | 1,189,538 | 138,919 | 4,220,360 | 1,541,362 | 281,866 | 317,228 | 286,926 | 3,592,097 | - | 11,568,196 |
| Depreciation charge for the year | - | - | 67,734 | 3,400 | 253,571 | 44,538 | 19,392 | 6,348 | 169,324 | 106,517 | - | 670,824 |
| Loss on impairment | - | - | - | - | - | - | - | - | (26,353) | - | - | (26,353) |
| Disposals | - | - | - | - | (10,783) | (19,578) | (12,869) | - | (35,729) | - | - | (78,959) |
| **At 30 September 2017 and 1 October 2017** | **-** | **-** | **1,257,272** | **142,319** | **4,463,048** | **1,566,322** | **288,389** | **323,576** | **394,168** | **3,698,614** | **-** | **12,133,708** |
| Depreciation charge for the year | - | - | 81,953 | 2,438 | 239,986 | 56,144 | 18,758 | 6,919 | 104,572 | 102,765 | - | 613,535 |
| Transfer to Non-current Asset held for sale | - | - | | (144,757) | - | - | (21,621) | - | - | - | - | (166,378) |
| Loss on impairment | - | - | - | - | - | - | - | - | (25,322) | - | - | (25,322) |
| Disposals | - | - | (513) | - | (23,040) | (70,463) | (6,313) | (2,216) | (38,249) | (176,618) | - | (317,412) |
| **At 30 September 2018** | **-** | **-** | **1,338,712** | **-** | **4,679,994** | **1,552,003** | **279,213** | **328,279** | **435,169** | **3,624,761** | **-** | **12,238,131** |

Sermsuk Public Company Limited and its Subsidiaries

# Notes to the financial statements

For the year ended 30 September 2018

| | 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 | Total |
| | Historical cost | Surplus on revaluation | | | | | | | | | | |
| | | | | | *(in thousand Baht)* | | | | | | | |
| *Allowance for loss of marketing promotion equipments* | | | | | | | | | | | | |
| At 1 October 2016 | - | - | - | - | - | - | - | - | - | 5,330 | - | 5,330 |
| At 30 September 2017 and 1 October 2017 | - | - | - | - | - | - | - | - | - | 5,330 | - | 5,330 |
| At 30 September 2018 | - | - | - | - | - | - | - | - | - | 5,330 | - | 5,330 |
| Net book value | | | | | | | | | | | | |
| At 1 October 2016 | 375,763 | 3,546,741 | 1,094,308 | 33,528 | 1,631,310 | 199,749 | 37,514 | 17,483 | 1,278,753 | 312,276 | 99,593 | 8,627,018 |
| At 30 September 2017 and 1 October 2017 | 375,763 | 3,546,607 | 1,075,257 | 29,781 | 1,559,715 | 165,355 | 41,932 | 14,105 | 1,098,406 | 244,152 | 55,673 | 8,206,746 |
| At 30 September 2018 | 375,763 | 3,546,607 | 1,021,020 | - | 1,413,434 | 117,450 | 27,665 | 13,124 | 1,029,324 | 154,419 | 59,506 | 7,758,312 |

# Notes to the financial statements

For the year ended 30 September 2018

The gross amount of the Group's fully depreciated buildings and equipment that was still in use as at 30 September 2018 and 2017 are summarised as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Buildings and equipment | **9,241,568** | **10,187,285** | **8,708,261** | **9,861,693** |

**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 land portfolio.

The fair value measurement for property in the consolidated financial statements of Baht 4,230.43 million and separate financial statements of Baht 3,922.37 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.

| | Consolidated financial statement | Separate financial statements |
|---|---|---|
| | *(in thousand Baht)* | |
| Balance at 1 October 2017 | 4,230,434 | 3,922,370 |
| **Gain included in "Other comprehensive income"** | | |
| Adjust loss on revaluation on land | - | - |
| **Gain included in "Profit or loss for the period"** | | |
| Gain on revaluation on land | - | - |
| **Balance at 30 September 2018** | **4,230,434** | **3,922,370** |

*Valuation technique and significant unobservable inputs*

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

| Valuation technique | Significant unobservable inputs |
|---|---|
| Sales Comparison Approach | • Asking price of comparable property<br>• Source of data used in valuation |

Sermsuk Public Company Limited and its Subsidiaries

# Notes to the financial statements

For the year ended 30 September 2018

## 15 Intangible assets

| | Consolidated financial statements | | |
|---|---|---|---|
| | Trademark | Software licenses | Total |
| | *(in thousand Baht)* | | |
| ***Cost*** | | | |
| At 1 October 2016 | 2,000 | 50,578 | 52,578 |
| Additions | - | 1,522 | 1,522 |
| **At 30 September 2017 and 1 October 2017** | **2,000** | **52,100** | **54,100** |
| Additions | - | 9,356 | 9,356 |
| **At 30 September 2018** | **2,000** | **61,456** | **63,456** |
| ***Amortisation*** | | | |
| At 1 October 2016 | - | 29,713 | 29,713 |
| Amortisation for the period | - | 3,010 | 3,010 |
| **At 30 September 2017 and 1 October 2017** | - | **32,723** | **32,723** |
| Amortisation for the year | - | 10,974 | 10,974 |
| **At 30 September 2018** | - | **43,697** | **43,697** |
| ***Net book value*** | | | |
| **At 1 October 2016** | **2,000** | **20,865** | **22,865** |
| **At 30 September 2017 and 1 October 2017** | **2,000** | **19,377** | **21,377** |
| **At 30 September 2018** | **2,000** | **17,759** | **19,759** |

| | Separate financial statements |
|---|---|
| | Software licenses |
| | *(in thousand Baht)* |
| ***Cost*** | |
| At 1 October 2016 | 47,448 |
| Additions | 888 |
| **At 30 September 2017 and 1 October 2017** | **48,336** |
| Additions | 8,705 |
| **At 30 September 2018** | **57,041** |
| ***Amortisation*** | |
| At 1 October 2016 | 28,314 |
| Amortisation for the period | 2,277 |
| **At 30 September 2017 and 1 October 2017** | **30,591** |
| Amortisation for the year | 10,063 |
| **At 30 September 2018** | **40,654** |
| ***Net book value*** | |
| **At 1 October 2016** | **19,134** |
| **At 30 September 2017 and 1 October 2017** | **17,745** |
| **At 30 September 2018** | **16,387** |

# Notes to the financial statements

For the year ended 30 September 2018

## 16 Deferred tax

Deferred tax assets and liabilities as at 30 September were as follows:

| | Consolidated financial statements | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Total | 839,772 | 860,316 | (887,227) | (888,247) |
| Set off of tax | (836,255) | (850,658) | 836,255 | 850,658 |
| **Net deferred tax assets (liabilities)** | **3,517** | **9,658** | **(50,972)** | **(37,589)** |

| | Separate financial statements | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Total | 831,438 | 845,540 | (850,515) | (851,535) |
| Set off of tax | (831,438) | (845,540) | 831,438 | 845,540 |
| **Net deferred tax liabilities** | **-** | **-** | **(19,077)** | **(5,995)** |

Movements in total deferred tax assets and liabilities for the year ended 30 September 2018 and 2017 were as follows:

| | Consolidated financial statements | | | |
|---|---|---|---|---|
| | | (Charged) / Credited to: | | |
| | **At 1 October 2017** | Profit or loss *(Note 28)* | Other comprehensive income | **At 30 September 2018** |
| | | *(in thousand Baht)* | | |
| ***Deferred tax assets*** | | | | |
| Inventories | 21,526 | (2,894) | - | 18,632 |
| Employee benefit obligations | 210,950 | (1,193) | (25,801) | 183,956 |
| Loss carry forward | 612,216 | 15,193 | - | 627,409 |
| Others | 15,624 | (5,849) | - | 9,775 |
| **Total** | **860,316** | **5,257** | **(25,801)** | **839,772** |
| ***Deferred tax liabilities*** | | | | |
| Property, plant and equipment | (746,033) | - | - | (746,033) |
| Investment properties | (25,329) | (581) | - | (25,910) |
| Long-term investments | (5,554) | - | 2,327 | (3,227) |
| Others | (111,331) | (726) | - | (112,057) |
| **Total** | **(888,247)** | **(1,307)** | **2,327** | **(887,227)** |
| **Net** | **(27,931)** | **3,950** | **(23,474)** | **(47,455)** |

# Notes to the financial statements

For the year ended 30 September 2018

| | Consolidated financial statements | | | |
|---|---|---|---|---|
| | | (Charged) / Credited to: | | |
| | At 1 October 2016 | Profit or loss (Note 28) | Other comprehensive income | At 30 September 2017 |
| | | (in thousand Baht) | | |
| ***Deferred tax assets*** | | | | |
| Inventories | 28,480 | (6,954) | - | 21,526 |
| Employee benefit obligations | 225,024 | (8,147) | (5,927) | 210,950 |
| Loss carry forward | 487,143 | 125,073 | - | 612,216 |
| Others | 26,873 | (11,249) | - | 15,624 |
| **Total** | **767,520** | **98,723** | **(5,927)** | **860,316** |
| ***Deferred tax liabilities*** | | | | |
| Property, plant and equipment | (746,060) | - | 27 | (746,033) |
| Investment properties | (22,736) | (2,593) | - | (25,329) |
| Long-term investments | (6,294) | - | 740 | (5,554) |
| Others | (111,213) | (118) | - | (111,331) |
| **Total** | **(886,303)** | **(2,711)** | **767** | **(888,247)** |
| **Net** | **(118,783)** | **96,012** | **(5,160)** | **(27,931)** |

| | Separate financial statements | | | |
|---|---|---|---|---|
| | | (Charged) / Credited to: | | |
| | At 1 October 2017 | Profit or loss (Note 28) | Other comprehensive income | At 30 September 2018 |
| | | (in thousand Baht) | | |
| ***Deferred tax assets*** | | | | |
| Inventories | 21,113 | (2,480) | - | 18,633 |
| Employee benefit obligations | 212,669 | (1,151) | (25,562) | 185,956 |
| Loss carry forward | 596,134 | 20,940 | - | 617,074 |
| Others | 15,624 | (5,849) | - | 9,775 |
| **Total** | **845,540** | **11,460** | **(25,562)** | **831,438** |
| ***Deferred tax liabilities*** | | | | |
| Property, plant and equipment | (709,321) | - | - | (709,321) |
| Investment properties | (25,329) | (581) | - | (25,910) |
| Long-term investments | (5,554) | - | 2,327 | (3,227) |
| Others | (111,331) | (726) | - | (112,057) |
| **Total** | **(851,535)** | **(1,307)** | **2,327** | **(850,515)** |
| **Net** | **(5,995)** | **10,153** | **(23,235)** | **(19,077)** |

# Notes to the financial statements

For the year ended 30 September 2018

| | Separate financial statements | | | |
|---|---|---|---|---|
| | | (Charged) / Credited to: | | |
| | At 1 October 2016 | Profit or loss (Note 28) | Other comprehensive income | At 30 September 2017 |
| | | (in thousand Baht) | | |
| ***Deferred tax assets*** | | | | |
| Inventories | 26,110 | (4,997) | - | 21,113 |
| Employee benefit obligations | 223,478 | (8,355) | (5,944) | 209,179 |
| Loss carry forward | 475,332 | 124,293 | - | 599,625 |
| Others | 26,872 | (11,249) | - | 15,623 |
| **Total** | **751,792** | **99,692** | **(5,944)** | **845,540** |
| ***Deferred tax liabilities*** | | | | |
| Property, plant and equipment | (709,348) | - | 27 | (709,321) |
| Investment properties | (22,736) | (2,593) | - | (25,329) |
| Long-term investments | (6,294) | - | 740 | (5,554) |
| Others | (111,213) | (118) | - | (111,331) |
| **Total** | **(849,591)** | **(2,711)** | **767** | (851,535) |
| **Net** | **(97,799)** | **96,981** | **(5,177)** | **(5,995)** |

The recoverability of deferred income tax assets resulting from tax losses carry-forward and temporary differences is reviewed and assessed, using forecasts that are based on the actual operating results and the expected future performance based on management's estimates and assumptions of revenue growth and the development of operating margins of the Group companies concerned. 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. Deviations from these estimates and assumptions can affect the value of deferred tax assets. The actual outcome may differ significantly from the outcome estimated by management. The tax losses expire in 2019 to 2023.

## 17 Trade accounts payable

| | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | Note | 2018 | 2017 | 2018 | 2017 |
| | | | (in thousand Baht) | | |
| Related parties | 4 | 542,037 | 580,874 | 951,988 | 1,006,171 |
| Other parties | | 222,106 | 257,517 | 205,573 | 247,057 |
| **Total** | | **764,143** | **838,391** | **1,157,561** | **1,253,228** |

Trade accounts payable of the Group and the Company as at 30 September 2018 and 2017 were denominated entirety in Thai Baht.

# Notes to the financial statements

For the year ended 30 September 2018

## 18 Other payables

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Accrued employee benefit | 191,510 | 204,374 | 187,490 | 201,327 |
| Other payables | 247,336 | 236,287 | 232,183 | 210,763 |
| Excise taxes payable | 81,429 | 90,774 | 79,741 | 85,812 |
| Accrued marketing expense | 62,657 | 48,180 | 62,657 | 48,180 |
| Accrued utilities expense | 27,744 | 33,338 | 25,169 | 30,902 |
| Others | 40,849 | 29,005 | 40,849 | 28,219 |
| **Total** | **651,525** | **641,958** | **628,089** | **605,203** |

The currency denomination of other payables as at 30 September was as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in million Baht)* | | | |
| Thai Baht (THB) | 646,291 | 636,550 | 623,122 | 599,888 |
| Euro (EUR) | 3,470 | 3,660 | 3,289 | 3,660 |
| United States Dollars (USD) | 1,721 | 1,702 | 1,678 | 1,655 |
| Hongkong Dollar (HKD) | 26 | 28 | - | - |
| Pound Sterling (GBP) | 17 | 18 | - | - |
| **Total** | **651,525** | **641,958** | **628,089** | **605,203** |

## 19 Employee benefit obligations

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| **Statement of financial position** | | | | |
| **Obligations for:** | | | | |
| Long-term employee benefit | | | | |
| - long service award | 34,745 | 39,114 | 34,669 | 39,039 |
| Post-employment benefit | | | | |
| - retirement benefit | 898,701 | 1,023,752 | 889,810 | 1,013,390 |
| **Total** | **933,446** | **1,062,866** | **924,479** | **1,052,429** |
| | | | | |
| **Statement of financial position** | | | | |
| ***Non-current*** | | | | |
| Employee benefit obligations | 993,446 | 1,062,866 | 924,479 | 1,052,429 |
| **Total** | **933,446** | **1,062,866** | **924,479** | **1,052,429** |

# Notes to the financial statements

For the year ended 30 September 2018

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| **Statement of comprehensive income:** | | | | |
| **Recognised in profit or loss:** | | | | |
| Long-term employee benefits | | | | |
| - long service award | 4,876 | 5,849 | 4,864 | 5,835 |
| - Actuarial gains | (4,279) | (7,145) | (4,270) | (7,137) |
| Post-employment benefit | | | | |
| - retirement benefit | 76,857 | 74,757 | 75,577 | 73,586 |
| **Total** | **77,454** | **73,461** | **76,171** | **72,284** |
| **Recognised in other comprehensive income:** | | | | |
| Actuarial gains recognised in the year | (129,231) | (29,574) | (127,810) | (29,721) |
| Cumulative actuarial gains recognised | (438,268) | (309,037) | (437,884) | (310,074) |

***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.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

The statement of financial position obligation was determined as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Present value of unfunded obligations | 898,701 | 1,023,752 | 889,810 | 1,013,390 |
| **The statement of financial position obligation was determined** | **898,701** | **1,023,752** | **889,810** | **1,013,390** |

# Notes to the financial statements

For the year ended 30 September 2018

Movement of present value of defined benefit obligation were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Defined benefit obligations at 1 October | 1,023,752 | 1,067,927 | 1,013,390 | 1,058,909 |
| Benefits paid by the plan | (72,678) | (89,828) | (71,347) | (89,828) |
| | 951,074 | 978,099 | 942,043 | 969,081 |
| **Include in profit or loss:** | | | | |
| Current service costs | 53,955 | 54,062 | 52,896 | 53,063 |
| Interest on obligation | 22,903 | 20,695 | 22,681 | 20,523 |
| | 76,858 | 74,757 | 75,577 | 73,586 |
| **Included in other comprehensive income** | | | | |
| Actuarial gains | (129,231) | (29,574) | (127,810) | (29,721) |
| **Others** | | | | |
| Transfer in from the related company | - | 26 | - | - |
| Transfer out to the related company | - | (26) | - | (26) |
| Adjust during the year | - | 470 | - | 470 |
| | - | 470 | - | 444 |
| **Defined benefit obligations at 30 September** | **898,701** | **1,023,752** | **889,810** | **1,013,390** |

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

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in million Baht)* | | | |
| Demography assumptions | - | 19,672 | - | 19,463 |
| Financial assumptions | (114,411) | (21,143) | (112,911) | (20,845) |
| Experience adjustment | (14,820) | (28,103) | (14,899) | (28,339) |
| **Total** | **(129,231)** | **(29,574)** | **(127,810)** | **(29,721)** |

***Actuarial assumptions***

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

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | | % | | |
| Discount rate | 2.75 | 2.50 | 2.75 | 2.50 |
| Future salary growth | 4.00 | 5.00 | 4.00 | 5.00 |

Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 30 September 2018, the weighted-average duration of the defined benefit obligation was 7 years *(2017: 8 years)*.

***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 thousand Baht)* | | | |
| **Defined benefit obligation 30 September 2018** | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | (33,778) | 35,999 | (33,281) | 35,461 |
| Future salary growth (1% movement) | 99,344 | (75,634) | 93,154 | (74,606) |

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.

## 20 Share capital

| | | Consolidated / Separate financial statements | | | |
|---|---|---|---|---|---|
| | Par value per share *(in Baht)* | 2018 Number | 2018 Baht | 2017 Number | 2017 Baht |
| | | *(thousand shares / thousand Baht)* | | | |
| ***Authorised*** | | | | | |
| At 1 October | | | | | |
| - ordinary shares | 1 | 265,900 | 265,900 | 265,900 | 265,900 |
| **At 30 September** | | | | | |
| **- ordinary shares** | **1** | **265,900** | **265,900** | **265,900** | **265,900** |
| ***Issued and paid-up*** | | | | | |
| At 1 October | | | | | |
| - ordinary shares | 1 | 265,900 | 265,900 | 265,900 | 265,900 |
| **At 30 September** | | | | | |
| **- 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.

# Notes to the financial statements

For the year ended 30 September 2018

## 21 Reserves

Reserves comprise

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

**Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 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 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.

## 22 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, and sport drink, including as distributor of soda
- Segment 2 Non-Carbonated soft drink: Produce and distribute drinking water, energy drink, and other beverages, including as distributor of tea

None of the other operations segments meets the quantitative thresholds for determining reportable segments in 2018 or 2017.

# Notes to the financial statements

For the year ended 30 September 2018

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.

***Information about reportable segments***

| | Carbonated soft drink | | Non-Carbonated soft drink | | Total reportable segments | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | | *(in million Baht)* | | | |
| External revenue | 4,548 | 4,379 | 6,272 | 6,244 | 10,820 | 10,623 |
| Segment profit before income tax | 578 | 523 | 2,414 | 2,364 | 2,992 | 2,887 |
| Depreciation and amortisation recorded in selling and administrative expenses | 110 | 111 | 154 | 162 | 264 | 273 |
| Selling expenses | 1,126 | 958 | 1,553 | 1,366 | 2,519 | 2,324 |

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

| | 2018 | 2017 |
|---|---|---|
| | *(in million Baht)* | |
| **Profit or loss** | | |
| Profit for reportable segments | 2,992 | 2,887 |
| Depreciation and amortisation recorded in selling and administrative expenses | (264) | (273) |
| Selling expenses | (2,519) | (2,324) |
| | **209** | **290** |
| Unallocated revenue and expenses | | |
| - Other income | 340 | 257 |
| - Administrative expenses | (958) | (1,015) |
| Share of profit of investment in an associate, net of income tax | 127 | 143 |
| **Consolidated loss before income tax** | **(282)** | **(325)** |

***Geographical segments***

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

***Major customer***

Revenue from one customer of the group's 1 and 2 segments represents approximately for the year ended 30 September 2018 Baht 3,492.35 million *(2017: Baht 3,182.54 million)* of the group's total revenue.

# Notes to the financial statements

For the year ended 30 September 2018

## 23 Other income

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | (in thousand Baht) | | | |
| Consultancy service income | | - | 43,333 | - | 43,333 |
| Sale of scrap | | 41,920 | 44,747 | 40,517 | 43,442 |
| Fair value adjustments on investment properties | 13 | 2,919 | 12,963 | 2,903 | 12,963 |
| Gain on disposal of long term investment | 12 | - | 7,420 | - | 7,420 |
| Dividend income | 9, 12 | 4,441 | 5,499 | 101,941 | 66,999 |
| Gain on disposal of buildings equipment and intangible assets | 9 | 179,857 | 4,449 | 179,857 | 4,449 |
| Interest income | | 3,263 | 3,412 | 6,590 | 6,707 |
| Subsidy for sales support | | 47,010 | 44,178 | 47,010 | 44,178 |
| Others | | 60,263 | 91,041 | 60,207 | 106,567 |
| **Total** | | **339,673** | **257,042** | **439,025** | **336,058** |

## 24 Selling expenses

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (in thousand Baht) | | | |
| Personnel expenses | 1,101,151 | 1,066,069 | 1,099,604 | 1,064,464 |
| Marketing expenses | 540,401 | 427,515 | 540,401 | 427,515 |
| Distribution | 413,847 | 359,281 | 408,768 | 350,498 |
| Depreciation and amortisation | 159,600 | 177,701 | 158,662 | 176,773 |
| Fuel | 182,797 | 176,850 | 182,797 | 176,850 |
| Others | 280,480 | 294,555 | 278,003 | 292,213 |
| **Total** | **2,678,276** | **2,501,971** | **2,668,235** | **2,488,313** |

# Notes to the financial statements

For the year ended 30 September 2018

## 25 Administrative expenses

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| Personnel expenses | 528,055 | 578,819 | 512,184 | 566,712 |
| Depreciation and amortisation | 103,560 | 94,971 | 101,140 | 92,725 |
| Fuel | 85,991 | 81,653 | 85,778 | 81,368 |
| Others | 344,167 | 354,737 | 351,511 | 356,994 |
| **Total** | **1,061,773** | **1,110,180** | **1,050,613** | **1,097,799** |

## 26 Employee benefit expenses

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| Salaries and wages | | 1,349,965 | 1,372,501 | 1,321,201 | 1,325,847 |
| Overtime and allowance expense | | 132,280 | 126,378 | 128,313 | 121,918 |
| Bonus | | 121,326 | 132,485 | 119,064 | 127,802 |
| Pension costs - defined contribution plans | | 83,445 | 81,796 | 81,961 | 81,618 |
| Pension costs - defined benefit plans | *19* | 84,340 | 74,757 | 83,060 | 73,586 |
| Others | | 227,699 | 240,660 | 225,161 | 235,873 |
| **Total** | | **1,999,055** | **2,028,577** | **1,958,760** | **1,966,644** |

*Defined benefit plans*

Details of the defined benefit plans are given in note 19.

*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.

# Notes to the financial statements

For the year ended 30 September 2018

## 27 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:

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| Changes in inventories of finished goods and work in progress | | 1,914,441 | 1,833,287 | 1,909,211 | 1,838,483 |
| Raw materials and consumables used | | 4,981,605 | 4,963,112 | 4,716,451 | 4,783,429 |
| Employee benefit expenses | 26 | 1,999,055 | 2,028,577 | 1,958,760 | 1,966,444 |
| Depreciation and amortisation | | 666,754 | 667,416 | 648,329 | 615,592 |
| Marketing expenses | 24 | 540,401 | 427,515 | 540,401 | 427,515 |
| Distribution | 24 | 413,847 | 359,281 | 408,768 | 350,498 |
| Fuel | | 268,787 | 258,503 | 268,574 | 258,218 |
| Others | | 782,929 | 810,050 | 1,097,148 | 1,065,750 |
| **Total expenses** | | **11,567,819** | **11,347,741** | **11,547,642** | **11,305,929** |

## 28 Income tax benefit

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

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| **Current tax expense** | | | | | |
| Current year | | - | 1,964 | - | - |
| | | - | 1,964 | - | - |
| **Deferred tax expense** | | | | | |
| Movements in temporary differences | 16 | (3,950) | (96,012) | (10,153) | (96,981) |
| **Income tax benefit** | | **(3,950)** | **(94,048)** | **(10,153)** | **(96,981)** |

# Notes to the financial statements

For the year ended 30 September 2018

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

| | Consolidated financial statements | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Before tax | Tax expense | Net of tax | Before tax | Tax expense | Net of tax |
| | *(in thousand Baht)* | | | | | |
| Net change in fair value of available-for-sale investments | (11,635) | 2,327 | (9,308) | (3,702) | 740 | (2,962) |
| Defined benefit plan actuarial gains | 129,231 | (25,801) | 103,430 | 29,574 | (5,927) | 23,647 |
| Revaluation of property, plant and equipment | - | - | - | (134) | 27 | (107) |
| **Total** | **117,596** | **(23,474)** | **94,122** | **25,738** | **(5,160)** | **20,578** |

| | Separate financial statements | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Before tax | Tax expense | Net of tax | Before tax | Tax expense | Net of tax |
| | *(in thousand Baht)* | | | | | |
| Net change in fair value of available-for-sale investments | (11,635) | 2,327 | (9,308) | (3,702) | 740 | (2,962) |
| Defined benefit plan actuarial gains | 127,810 | (25,562) | 102,248 | 29,721 | (5,944) | 23,777 |
| Revaluation of property, plant and equipment | - | - | - | (134) | 27 | (107) |
| **Total** | **116,175** | **(23,235)** | **92,940** | **25,885** | **(5,177)** | **20,708** |

# Notes to the financial statements

For the year ended 30 September 2018

***Reconciliation of effective tax rate***

| | Consolidated financial statements | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | *Rate (%)* | *(in thousand Baht)* | *Rate (%)* | *(in thousand Baht)* |
| Loss before income tax expense | | (281,686) | | (324,970) |
| Income tax using the Thai corporation tax rate | 20.00 | (56,337) | 20.00 | (64,994) |
| Income not subject to tax | | (26,786) | | (29,685) |
| Expenses not deductible for tax purposes | | 10,594 | | 4,642 |
| Expenses for tax incentives | | (11,307) | | (11,039) |
| Reversal of previously recognised deferred tax assets | | 79,887 | | 7,028 |
| **Total** | **1.40** | **(3,949)** | **28.94** | **(94,048)** |

| | Separate financial statements | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | *Rate (%)* | *(in thousand Baht)* | *Rate (%)* | *(in thousand Baht)* |
| Loss before income tax expense | | (305,129) | | (419,022) |
| Income tax using the Thai corporation tax rate | 20.00 | (61,026) | 20.00 | (83,804) |
| Income not subject to tax | | (26,275) | | (13,400) |
| Expenses not deductible for tax purposes | | 12,013 | | 4,185 |
| Expenses for tax incentives | | (11,198) | | (10,990) |
| Reversal of previously recognised deferred tax assets | | 76,333 | | 7,028 |
| **Total** | **3.33** | **(10,153)** | **23.14** | **(96,981)** |

*Income tax reduction*

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

## 29 Basic losses per share

The calculations of basic loss per share for the year ended 30 September 2018 and 2017 were based on the loss for the year attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the period/year as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht/thousand shares)* | | | |
| Loss attributable to ordinary shareholders of the Company (basic) | (277,737) | (230,922) | (294,976) | (322,040) |
| Number of ordinary shares outstanding | 265,900 | 265,900 | 265,900 | 265,900 |
| **Loss per share (basic)** ***(in Baht)*** | **(1.04)** | **(0.87)** | **(1.11)** | **(1.21)** |

# Notes to the financial statements

For the year ended 30 September 2018

## 30 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 (see Note 4). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates.

# Notes to the financial statements

For the year ended 30 September 2018

The effective interest rates of loans receivable as at 30 September 2018 and 2017 and the periods in which the loans receivable and debt securities mature or re-price were as follows:

| | Consolidated financial statements | | | |
|---|---|---|---|---|
| | Effective interest rate (% per annum) | Within 1 year | After 5 years (in thousand Baht) | Total |
| ***At 30 September 2018*** | | | | |
| **Non-current** | | | | |
| Long-term loan to a related party | 4.05 | - | 3,000 | 3,000 |
| ***At 30 September 2017*** | | | | |
| **Non-current** | | | | |
| Long-term loan to a related party | 4.44 | - | 3,000 | 3,000 |

| | Separate financial statements | | | |
|---|---|---|---|---|
| | Effective interest rate (% per annum) | Within 1 year | After 5 years (in thousand Baht) | Total |
| ***At 30 September 2018*** | | | | |
| **Current** | | | | |
| Short-term loan to a related party | 3.10 | 125,000 | - | 125,000 |
| **Non-current** | | | | |
| Long-term loan to a related party | 4.05 | - | 3,000 | 3,000 |
| **Total** | | **125,000** | **3,000** | **128,000** |
| ***At 30 September 2017*** | | | | |
| **Current** | | | | |
| Short-term loan to related party | 3.10 | 125,000 | - | 125,000 |
| **Non-current** | | | | |
| Long-term loan to a related party | 4.44 | - | 3,000 | 3,000 |
| **Total** | | **125,000** | **3,000** | **128,000** |

***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.

# Notes to the financial statements

For the year ended 30 September 2018

At 30 September 2018 and 2017, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

| | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | *Note* | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| ***United States Dollars*** | | | | | |
| Other payables | *18* | (1,721) | (1,702) | (1,678) | (1,655) |
| **Gross statement of financial position exposure** | | **(1,721)** | **(1,702)** | **(1,678)** | **(1,655)** |

| | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | *Note* | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| ***Euro*** | | | | | |
| Other payables | *18* | (3,470) | (3,660) | (3,289) | (3,660) |
| **Gross statement of financial position exposure** | | **(3,470)** | **(3,660)** | **(3,289)** | **(3,660)** |

| | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | *Note* | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| ***Hong Kong Dollars*** | | | | | |
| Cash and cash equivalents | *5* | 28,874 | 30,526 | - | - |
| Other payables | *18* | (26) | (28) | - | - |
| **Gross statement of financial position exposure** | | **28,848** | **30,498** | **-** | **-** |

| | | Consolidated financial statements | | Separate financial statements | |
|---|---|---|---|---|---|
| | *Note* | 2018 | 2017 | 2018 | 2017 |
| | | *(in thousand Baht)* | | | |
| ***Pound Sterling*** | | | | | |
| Other payables | *18* | (17) | (18) | - | - |
| **Gross statement of financial position exposure** | | **(17)** | **(18)** | **-** | **-** |

***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.

# Notes to the financial statements

For the year ended 30 September 2018

***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.

***Carrying amounts and fair values***

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Consolidated financial statements | |
|---|---|---|
| | Carrying amount | Fair value Level 1 |
| | *(in thousand Baht)* | |
| **30 September 2018** | | |
| ***Financial assets measured at fair value*** | | |
| Equity securities available for sale | 47,863 | 47,863 |
| **30 September 2017** | | |
| ***Financial assets measured at fair value*** | | |
| Equity securities available for sale | 59,498 | 59,498 |

| | Separate financial statements | | |
|---|---|---|---|
| | Carrying amount | Fair value | |
| | | Level 1 | Total |
| | | *(in thousand Baht)* | |
| **30 September 2018** | | | |
| ***Financial assets measured at fair value*** | | | |
| Equity securities available for sale | 47,863 | 47,863 | 47,863 |
| | | Level 3 | Total |
| | | *(in thousand Baht)* | |
| ***Financial liabilities not measured at fair value*** | | | |
| Long-term loans from related parties | 1,530,968 | 1,169,660 | 1,169,660 |
| | | Level 1 | Total |
| | | *(in thousand Baht)* | |
| **30 September 2017** | | | |
| ***Financial assets measured at fair value*** | | | |
| Equity securities available for sale | 59,498 | 59,498 | 59,498 |
| | | Level 3 | Total |
| | | *(in thousand Baht)* | |
| ***Financial liabilities not measured at fair value*** | | | |
| Long-term loans from related parties | 1,530,968 | 1,431,455 | 1,431,455 |

**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 security available for sale is an investment in equity shares of Crown Seal Public Company Limited which listed its equity shares on an exchange and is currently actively traded in the market. The fair value of the investment is determined to be Level 1 under the fair value hierarchy because the equity shares have a published price quotation in an active market at the measurement date.

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 31 Commitments with non-related parties

| | Consolidate financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| ***Capital commitments*** | | | | |
| *Contracted but not provided for:* | | | | |
| Buildings, warehouses and improvement | - | 599 | - | 599 |
| Machinery, equipment and tools | 1,166 | 19,759 | 1,166 | 19,759 |
| **Total** | **1,166** | **20,358** | **1,166** | **20,358** |

| | Consolidate financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| ***Future minimum lease payments under non-cancellable operating leases*** | | | | |
| Within one year | 24,528 | 42,023 | 23,359 | 40,716 |
| After one year but within five years | 44,602 | 47,014 | 43,783 | 45,694 |
| After five years | 60,979 | 65,053 | 60,979 | 65,053 |
| **Total** | **130,109** | **154,090** | **128,121** | **151,463** |

| | Consolidate financial statements | | Separate financial statements | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | *(in thousand Baht)* | | | |
| ***Other commitments*** | | | | |
| ***Thai Baht*** | | | | |
| Bank guarantees | 40,306 | 50,525 | 36,030 | 46,249 |
| **Total** | **40,306** | **50,525** | **36,040** | **46,249** |

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. The parties made an amendment to extend the period of agreement another one year ended on 15 June 2018. Currently, there is no extended contract.

***Co-packing agreement***

A subsidiary entered into a "Co-packing agreement" with International Refreshment (Thailand) Co., Ltd. ("the parties") to produce bottled tea drink. The subsidiary has to comply with certain conditions contained in the agreement for one year period from 1 January 2017 to 31 December 2017. Currently, there is no renewal of the contract.

## 32 Credit facilities

As at 30 September 2018 the Group and the Company had unutilised credit facilities totalling Baht 4,393 million and Baht 4,341 million, respectively *(2017: Baht 7,983 million and Baht 7,881 million, respectively).*

## 33 Contingent liabilities

(a) Finger scan case, total claim amount of approximately Baht 9 million, the Court of First Instance rendered the judgment in favor of the Company by dismissing all of the plaintiffs' claims. Currently, the case is under consideration of the Appeal Court.

(b) The 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. The Company won those cases at Civil Court to which those employees submitted further the Appeal Court. Currently, the cases are under consideration of the Appeal Court.

(c) The third party lodged a lawsuit claiming compensation from the Company on the ground that one of the Company's track drivers ran the truck into their child resulting in loss of life and property being damaged. The Company as an employer is legally held responsible with the employee to compensate the plaintiff with case capital of THB 2.95 million.

(d) The third party lodged a lawsuit claiming compensation from the Company on the ground that one of the Company's truck drivers ran the truck into her property which resulted in the outlet owner to suffer damages. The Company as an employer is legally held responsible with the employee to compensate the plaintiff. The case capital is THB 293,000. Currently, the case is under consideration of the Court of First Instance.

(e) The employee who was laid off by the Company has filed lawsuit against the Company for unfair termination. The total amount of claim is approximately of THB 1.19 million. Currently, the case is under consideration of the Court of First Instance.

(f) The third party lodged a lawsuit claiming compensation from the Company on the ground that one of the Company's truck drivers ran the truck into their father resulting in loss of life. The Company as an employer is legally held responsible with the employee to compensate the plaintiff with case capital of THB 187,100. Currently, the case is under consideration of the Court of First Instance.

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

A number of new and revised TFRS which relevant to the Company's operations are expected to have significant impact on the financial statements on the date of initial application. Those TFRS become effective for annual financial reporting periods beginning on or after 1 January of the following years.

| TFRS | Topic | Effective |
|---|---|---|
| TFRS 7* | Financial Instruments: Disclosures | 2020 |
| TFRS 9* | Financial Instruments | 2020 |
| TFRS 15 | Revenue from Contracts with Customers | 2019 |
| TAS 32* | Financial Instruments: Presentation | 2020 |
| TFRIC 16* | Hedges of a Net Investment in a Foreign Operation | 2020 |
| TFRIC 19* | Extinguishing Financial Liabilities with Equity Instruments | 2020 |

* TFRS - Financial instruments standards

### *(a) TFRS 15 Revenue from Contracts with Customers*

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

### *(b) TFRS - Financial instruments standards*

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

Management is presently considering the potential impact of adopting and initially applying TFRS 15, Revenue from Contracts with Customers and TFRS 9, Financial instruments standards on the financial statements.

# Management Discussion and Analysis: MD&A

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

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

**Annual Performance**

(Unit : Million Baht)

| Transactions | 2018 | 2017 | Change | % |
|---|---|---|---|---|
| Revenue from sale and services | 10,819.5 | 10,623.1 | 196.4 | 1.8 |
| Cost of sales and services | 7,827.8 | 7,735.6 | 92.2 | 1.2 |
| Gross profit | 2,991.7 | 2,887.5 | 104.2 | 3.6 |
| Selling and administrative expenses | 3,740.0 | 3,612.2 | 127.8 | 3.5 |
| Other income | 339.7 | 257.0 | 82.7 | 32.2 |
| Income tax benefit | 3.9 | 94.0 | (90.1) | (95.9) |
| Net loss | (277.7) | (230.9) | (46.8) | (20.3) |
| Basic net losses per share (Baht) | (1.04) | (0.87) | (0.17) | (19.5) |

Sermsuk Public Company Limited's performance for the year ended September 30, 2018 as reported in the consolidated financial statements show net loss of Baht 277.7 million, an increase of Baht 46.8 million or 20.3% compared to net loss of Baht 230.9 million at the same period of prior year. The significant factors are as follows:

1. Revenue from sales and services was Baht 10,819.5 million, an increase of 1.8% because the Company has continued to strengthen its growth of Crystal and est and the Company launched new product such as Sarsi. However, the Company discontinued distribution Lipton.
2. Cost of sales and services was Baht 7,827.8 million, an increase of 1.2% which was in line with an increase in revenue from sales and service and a change in product mix.
3. Selling and administrative expenses was Baht 3,740.0 million, an increase of 3.5% due to higher both sales and marketing expenses and higher transportation in line with an increase in sales in modern trade channel.
4. Other income of Baht 339.7 million was mainly from gain on disposal of building of Baht 164.2 million, sales of scrap of Baht 55.4 million and a gain from free drink charged of Baht 48.0 million. The remaining was claimable income of damage products, packaging and others.

The performance for the year ended September 30, 2018 reflected to the basic net losses per share of Baht 1.04, an increase of Baht 0.17 per share compared to the basic net losses per share of Baht 0.87 at the same period of prior year.

# Management Discussion and Analysis: MD&A

## 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.

## Financial Status

| Transactions | As at 30 September 2018 | As at 30 September 2017 | Change | % |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | 2,208.3 | 2,239.7 | (31.4) | (1.4) |
| Non – current assets | 9,451.0 | 9,871.9 | (420.9) | (4.3) |
| Total assets | 11,659.3 | 12,111.6 | (452.3) | (3.7) |
| **Liabilities** | | | | |
| Current liabilities | 2,134.3 | 2,287.0 | (152.7) | (6.7) |
| Non – current liabilities | 984.4 | 1,100.4 | (116.0) | (10.5) |
| Total liabilities | 3,118.7 | 3,387.4 | (268.7) | (7.9) |
| **Equity** | | | | |
| Total equity | 8,540.6 | 8,724.2 | (183.6) | (2.1) |
| Total liabilities and equity | 11,659.3 | 12,111.6 | (452.3) | (3.7) |

The Company's total consolidated assets as at September 30, 2018 was reported in Baht 11,659.3, million, a decrease of Baht 452.3 million or 3.7% from last year. Significant change was a decrease in property plant and equipment of Baht 460.9 million, mainly due to depreciation.

The Company's total consolidated liabilities was in Baht 3,118.7 million, a decrease of Baht 268.7 million or 7.9% from last year. Significant changes were a decrease in trade account payable of Baht 74.2 million due to payment on raw material purchased, a decrease in other payables to related parties of Baht 88.1 million due to payment on accrued expenses to related parties and a decrease in employee benefit obligations of Baht 129.4 million due to experience adjustment of actuarial reports

The Company's shareholders' equity was in Baht 8,540.6 million, a decrease of Baht 183.6 million or 2.1% from last year, due to operating loss for the year ended.

# Information of the Company's Directors, Management, Controlling person and Company Secretary

**14. Information of the Company's Directors, Management, Controlling person 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<br>Position<br>Date Appointed | Age | Address/ Telephone<br>Relationship between Directors | Shares held (%) | Relationship between Management | Work experience<br>Year | Position | Company/ Business Type |
|---|---|---|---|---|---|---|---|
| Mr. Chanchai Bulsook<br><br>Chairman<br><br>Date Appointed: 3 February 03 | 59 | Address: 1/35 Soi Ratchaprarop 6, Makkasan, Ratchathewi, Bangkok 10400<br><br>Telephone: 02-642-2000 Ext. 2000<br><br>Relationship between Directors: None<br><br>Work experience / Training:<br>- Director Accreditation Program (DAP), Class 3/2003, Thai Institute of Directors<br>- Audit Committee Program, Class 8/2004, Thai Institute of Directors<br><br>Work experience during the past 5 years:<br>- Director, Sermsuk Public Company Limited<br><br>Work experience before the past 5 years:<br>- Director, Sermsuk Public Company Limited<br>- Director, Sermsuk Public Company Limited | - Shares | Brother of Mr. Chanchai Bulsook, Director and Executive Director of Sermsuk Public Company Limited | Management<br>2017-Present<br>1999-Present<br>2013-2016<br>2012-2013<br>1994-2012<br><br>Investment Controlling Person<br>13 Nov 17-Present<br>21 Jul 17-Present<br>21 Jul 17-Present<br>31 Jul 17-Present<br>31 Jul 17-Present<br>1994-Present<br>2005-Present<br>1992-Present<br>2005-Present<br>2014-Present<br>2014-Present<br>2014-Present<br>2014-Present | Director<br>Director, Executive Director<br>Vice Chairman<br>Director, Chairman of Executive Committee<br>Director<br>Director<br>Director<br><br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director | Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br><br><br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited<br>Sermsuk Public Company Limited |
| Mrs. Sasitorn Wanichai<br><br>Vice Chairman, Non-Executive Director<br>Chairman of Compensation Committee<br>and Member of Audit Committee<br><br>Date Appointed: 30 April 2014 | 56 | 1/35 Soi Ratchaprarop 6, Makkasan, Ratchathewi, Bangkok 10400<br><br>Telephone: 02-642-2000 Ext. 2000<br><br>Relationship between Directors: None<br><br>Work experience / Training:<br>- Director Accreditation Program (DAP), Class 3/2003, Thai Institute of Directors<br><br>Work experience during the past 5 years:<br>- Director, Sermsuk Public Company Limited<br><br>Work experience before the past 5 years:<br>- Director, Sermsuk Public Company Limited | - Shares | None | Management<br>2016-Present<br>2015-Present<br>2014-Present<br>2014-Present<br>2014-Present<br>2014

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Position<br>Date Appointed | Age | Education<br>Training Experience | Shares held (%) | Relationship |
|---|---|---|---|---|
| Mr. Chaiyapat Siriwat<br>Vice Chairman<br>Member of Nomination and Remuneration Committee<br>Member of Corporate Governance Committee<br>Executive Director | [illegible] | [illegible] | [illegible] | None |
| Mr. Thanyaporn Sirikulwadhi<br>Vice Chairman<br>Chairman of Executive Committee<br>Chairman of Nomination and Remuneration Committee<br>Chairman of Corporate Governance Committee<br>Member of Investment Committee<br>Member of Risk Management Committee<br>Director<br>Executive Director | [illegible] | [illegible] | [illegible] | None |
| Mr. Chayanat Suthiwartnarueput<br>Vice Chairman<br>Vice Chairman of Executive Committee<br>Director | [illegible] | [illegible] | [illegible] | None |

| Working Hours | | |
|---|---|---|
| Year | Position | Current Position |
| Sermsuk Public Company Limited<br>[illegible]<br>[illegible]<br>[illegible]<br>Relevant Other Companies<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible] | [illegible]<br>Chairman of Executive Committee<br>Director<br><br>Director<br>Executive<br>Chairman of Executive Committee<br>Director<br>Director | [illegible]<br>[illegible]<br>[illegible]<br><br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible] |
| Sermsuk Public Company Limited<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>Relevant Other Companies<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible] | [illegible]<br>Director and Chairman of Executive Committee<br>Director<br>Chairman of Executive Committee<br>Executive Director and Chief Executive Officer<br>Director<br><br>Executive Director and Chief Executive Officer<br>Chairman<br><br>Chief Executive Officer<br>Director and Executive Director<br>Director<br>Executive Director<br>Director<br><br>Chief Executive Officer<br>Director and Executive Director<br>Director<br>Executive Director<br>Director and Executive Director and Chief Executive Officer | [illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible] |
| Mr. Chayanat Suthiwartnarueput<br>Vice Chairman<br>Vice Chairman of Executive Committee<br>Director | [illegible] | [illegible] | [illegible] | None |
| | | | [illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[illegible]<br>[

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Position<br>Date Appointed | Age | Education / Training<br>Training Institution | Shares Holding (%) | Relationship |
|---|---|---|---|---|
| Prof. Dr. Klungsuk Sutabutr<br>Independent Director<br>Chairman of the Audit Committee and Member of Nomination and Remuneration Committee<br>Date Appointed: 5 February 2013 | 76 | Master of Arts (Political Science), Thammasat University<br>Bachelor of Arts (Political Science), Thammasat University<br>Honorary Doctorate of Political Science, Thammasat University<br>Diploma, National Defence College | - | None |
| Prof. Dr. Kanit Sangsubhan<br>Independent Director<br>Date Appointed: 26 April 2013 | 76 | Master of Arts (Political Science), Thammasat University<br>Bachelor of Arts (Political Science), Thammasat University<br>Honorary Doctorate of Political Science, Thammasat University<br>Diploma, National Defence College | - | None |
| Mr. Sermsuk Kasitipradit<br>Chairman of the Board of Directors<br>Director and Chairman of the Executive Committee<br>Date Appointed: 1 February 2013 | 58 | Master of Business Administration, Chulalongkorn University<br>Bachelor of Engineering (Chemical Engineering), Chulalongkorn University<br>Director Certification Program (DCP) 75/2004<br>Director Accreditation Program (DAP) 49/2004<br>Diploma, National Defence College (Class 46), Joint War Staff College<br>Diploma, Royal Thai Armed Forces Command and General Staff College<br>Diploma, National Defence College | 1,000,000,000 | Brother of Mr. Sathit Kasitipradit, Director and Executive Vice President - Corporate Affairs and Mr. Sarawut Kasitipradit, Director and Executive Vice President - Marketing |
| Mr. Sathit Kasitipradit<br>Director and Executive Vice President - Corporate Affairs<br>Director and Executive Committee<br>Date Appointed: 1 February 2013 | 56 | Master of Business Administration, Chulalongkorn University<br>Bachelor of Engineering (Chemical Engineering), Chulalongkorn University<br>Director Certification Program (DCP) 75/2004<br>Director Accreditation Program (DAP) 49/2004<br>Diploma, National Defence College (Class 46), Joint War Staff College<br>Diploma, Royal Thai Armed Forces Command and General Staff College<br>Diploma, National Defence College | 1,000,000,000 | Brother of Mr. Sermsuk Kasitipradit, Director and Executive Vice President - Corporate Affairs and Mr. Sarawut Kasitipradit, Director and Executive Vice President - Marketing |
| Mr. Sarawut Kasitipradit<br>Director and Executive Vice President - Marketing<br>Director and Executive Committee<br>Date Appointed: 1 February 2013 | 54 | Master of Business Administration, Thammasat University<br>Bachelor of Engineering (Chemical Engineering), Chulalongkorn University<br>Director Certification Program (DCP) 75/2004<br>Director Accreditation Program (DAP) 49/2004<br>Diploma, National Defence College (Class 46), Joint War Staff College<br>Diploma, Royal Thai Armed Forces Command and General Staff College<br>Diploma, National Defence College | 1,000,000,000 | Brother of Mr. Sermsuk Kasitipradit, Director and Executive Vice President - Corporate Affairs and Mr. Sathit Kasitipradit, Director and Executive Vice President - Marketing |
| Mrs. Nantida Kasitipradit<br>Director and Executive Vice President - Marketing<br>Director and Executive Committee<br>Date Appointed: 1 February 2013 | 52 | Master of Business Administration, Thammasat University<br>Bachelor of Engineering (Chemical Engineering), Chulalongkorn University<br>Director Certification Program (DCP) 75/2004<br>Director Accreditation Program (DAP) 49/2004<br>Diploma, National Defence College (Class 46), Joint War Staff College<br>Diploma, Royal Thai Armed Forces Command and General Staff College<br>Diploma, National Defence College | 1,000,000,000 | Sister of Mr. Sermsuk Kasitipradit, Director and Executive Vice President - Corporate Affairs and Mr. Sathit Kasitipradit, Director and Executive Vice President - Marketing |
| Mr. Sermsuk Kasitipradit<br>Chairman of the Board of Directors<br>Director and Chairman of the Executive Committee<br>Date Appointed: 1 February 2013 | 58 | Master of Business Administration<br>Bachelor of Engineering (Chemical Engineering), Chulalongkorn University<br>Director Certification Program (DCP) 75/2004<br>Director Accreditation Program (DAP) 49/2004<br>Diploma, National Defence College (Class 46), Joint War Staff College<br>Diploma, Royal Thai Armed Forces Command and General Staff College<br>Diploma, National Defence College<br>Certificate, Capital Market Academy (CMA) Class 2/2005, Capital Market Academy<br>Certificate, National Corporate Governance Program (NCGP) Class 1/2006, Thai Institute of Directors<br>Certificate, Audit Committee Program (ACP) Class 2/2006, Thai Institute of Directors<br>Certificate, Director Certification Program (DCP) Class 75/2004, Thai Institute of Directors<br>Certificate, Director Accreditation Program (DAP) Class 49/2004, Thai Institute of Directors<br>Certificate, Role of the Chairman Program (RCP) Class 2/2006, Thai Institute of Directors<br>Certificate, Finance for Non-Finance Director (FND) Class 1/2006, Thai Institute of Directors | 1,000,000,000 | Brother of Mr. Sathit Kasitipradit, Director and Executive Vice President - Corporate Affairs and Mr. Sarawut Kasitipradit, Director and Executive Vice President - Marketing |
| Miss Sarisa Siriwatana<br>Company Secretary<br>Member of Audit Committee and Member of Nomination and Remuneration Committee<br>Date Appointed: 14 August 2013 | 38 | Master of Business Administration<br>Bachelor of Accounting, Chulalongkorn University<br>Certified Public Accountant (CPA), Thailand<br>Certificate of Completion, Company Secretary Program (CSP) Class 2/2013, Thai Institute of Directors<br>Certificate, Board Reporting Program (BRP) Class 2/2013, Thai Institute of Directors<br>Certificate, Director Certification Program (DCP) Class 192/2013, Thai Institute of Directors<br>Certificate, Audit Committee Program (ACP) Class 31/2013, Thai Institute of Directors<br>Certificate, Anti-Corruption: The Practical Guide (ACPG) Class 2/2015, Thai Institute of Directors | - | None |

| Work Experience<br>5 Years | | |
|---|---|---|
| Year | Position | Company / Business Type |
| Present<br>2013 - Present<br>2013 - Present<br>2013 -

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Positions<br>Date Appointed<br>( ) | Age | Educational Credentials<br>Training Experience<br>(2) | Share Holding (%)<br>(3) | Relation to the Management<br>(4) | Working History (5)<br>Year | Positions | Company / Business Type |
|---|---|---|---|---|---|---|---|
| | | Listed Company Director Essential : Understanding the Regulatory Environment fo<br><br>Singapore: What Every Director Ought to Know, Singapore Institute of Directors<br><br>FCD 4 Nominating Committee Essentials<br>Singapore Institute of Directors (SID) (14 July 2016)<br><br>FCD 2 Audit Committee Essentials<br>Singapore Institute of Directors (SID) (13 July 2016)<br><br>FCD 5 Remuneration Committee Essentials<br>Singapore Institute of Directors (SID) (15 March 2018)<br><br>FCD 3 Risk Management Essentials<br>Singapore Institute of Directors (SID) (14 March 2018) | | | | | |
| **Mr. Pramoad Phornprophu**<br><br>Independent Director,<br>Member of Nominating and<br>Corporate Governance Committee and<br>Member of Sustainability and Risk Management Committee<br><br>Date Appointed : 18 April 2012 | 52 | MBA (Marketing) Kellogg School of Management,<br>Northwestern University, USA<br><br>MPA, Kennedy School of Government, Harvard University, USA<br><br>Directors Certificate Program Class 55/2005, Thai Institute of Directors (IOD)<br><br>Senior Executive Program (CMA 0), Capital Market Academy | shares | -None- | Registered positions<br>2005 Present<br>2017 - Present<br>2017 - Present<br>2018 - Present<br><br>Positions in other unlisted companies<br>1971-Present<br>1974-Present<br>1989-Present<br>1992-Present<br>1997-Present<br>1997 Present<br>2002-Present<br>2004-Present<br>2008-Present<br>2011 Present<br>2016 Present | Independent Director<br>Independent Director and Member of Audit Committee<br>Independent Director and Member of Audit Committee<br>Chairman of Audit Committee and Independent Director<br><br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Managing Director<br>Managing Director<br>Director<br>Managing Director<br>Chairman | Thai Summit Harness PCL.<br>Thaisarico Palm Oil Public Company Limited<br>Amarin Printing and Publishing PCL.<br>Saigon Beer – Alcohol – Beverage Corporation<br><br>Parnsiri Co., Ltd<br>Pattana Cloak Co., Ltd<br>Phuboon Ltd. Co., Ltd.<br>Plan 369 Co., Ltd.<br>Plandscape Co., Ltd.<br>P Garden Co., Ltd<br>Wan Warin & Associates Co., Ltd<br>Ulatis Co., Ltd.<br>Eco Future Plus Co., Ltd.<br>My DNA Co., Ltd<br>Tuayun Natural Products Co., Ltd |
| **Mr. Dhirivate Bulsook**<br><br>Director, Vice Chairman of Executive<br>Committee No.3 and Member of Sustainability and<br>Risk Management Committee<br><br>Date Appointed : 28 April 2010<br><br>*Remark : Mr. Dhirivate Bulsook was appointed as the Vice Chairman of Executive Committee No.4 on 16 November 2015* | 58 | MBA, Babson College USA<br><br>Certificate of Directors Certification Program (DCP) Class 36/2003<br>Thai Thai Institute of Directors Association (IOD) | shares | Relative of Chairman | Registered positions<br><br><br><br>Positions in other unlisted companies<br><br><br><br><br><br><br><br>Job experience of previous 5 years<br>2011 - 2015 | Director<br><br><br><br><br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director and Vice Chairman of Executive Committee No.2<br><br>President | Crown Seal Public Company Limited<br><br><br><br><br>Petrocon (Thailand) Co., Ltd.<br>Sermsuk Holding Co., Ltd.<br>Sermsuk Beverage Co., Ltd<br>Wongpaet Beverage (2008) Co., Ltd.<br>Sermsuk Training Co., Ltd.<br>Great Brands Limited<br>Agi Drinks Co., Ltd.<br><br>Sermsuk Plc |
| **Mr. Sakchai Thanaboonchai**<br><br>Director<br><br>Date Appointed : 29 April 2011 | 60 | Certificate in Applied Social Sciences,<br>Thammasat University<br><br>Honorary Doctorate Degree in Management<br>from the United States of America<br><br>(2005) Top Executive Program Class 3,<br>Commerce and Trade (TEPCoT)<br><br>(2004) Certificate of Chief Executive, Class 9<br>Capital Market Academy<br><br>(2004) Directors Certification Program (DCP) Class 82/2004<br>Thai Institute of Directors | - shares | None | Registered positions<br>Present<br>Present<br>Positions in other unlisted companies<br><br><br><br><br><br><br>Politics<br>2002-Present<br>2008-Present<br>2014-Present<br>2014-Present | Vice Chairman of Executive Committee<br>Director<br><br>Advisor<br>Advisory Board<br><br>Committee<br>Secretary General and Committee<br><br>Secretary-General<br>Secretary-General<br>Member of the National Legislative Assembly<br>Chairman of Welfare Committee | Sikarin PLC.<br>MILLCON STEEL PLC.<br><br>Thai and Vietnam Friendship Association<br>S.A.S. (THAILAND) LTD.<br>The Melia Hanoi, Vietnam<br>Mesenri-Khunying Amporn Ruchupan Foundation<br>Ramkhamhaeng Foundation<br><br>Association of the Senate 99-43 and Registrar 99-51<br>National Legislative Assembly<br>The National Legislative Assembly<br>The National Legislative Assembly |

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Positions<br>Date Appointed<br>(1) | Age | Educational Credentials<br>Training Experience<br>(2) | Share Holding (%)<br>(3) | Relation to the Management<br>(4) | Working History (5) | | |
|---|---|---|---|---|---|---|---|
| | | | | | Year | Positions | Company / Business Type |
| | | | | | 2014-Present<br>2014-Present<br>2014-Present<br>2017<br><br>Advisor/advisor of previous 2 years<br><br>1996-2000<br>1996-2008<br><br>2007-2011 | Chairman of Vietnam-Thailand Parliamentary Friendship Group<br>Committee on Foreign Affairs<br>Committee on Mass Communication, Science, Technology and Information<br>Vice Chairman of Thailand - China Parliamentary Friendship<br><br>Chairman of Executive Committee<br>Chairman<br>Secretariat of the Senate<br>National Legislative Assembly<br>State Enterprise<br>Executive Director | S.A.S. WEAVING CO.,LTD.<br>S.A.S. TRADING CO.,LTD.<br><br>King Prajadhipok's Institute |
| **Mr. Rangsan Thanmanteewong**<br>*Director*<br>Date Appointed : 29 April 2011 | 57 | 1987-1988 Master of Business Administration, Joseph M. Katz, Graduate School of Business, University of Pittsburgh, Pittsburgh, Pennsylvania, USA<br><br>1982-1985 Bachelor of Business Administration, Brigham Young University, Provo, Utah, USA<br><br>Director Accreditation Program (DAP) 2012, Thai Institute of Directors | - shares | -None- | Registered positions<br>2011-Present<br>Positions in other unlisted company<br>1998-Present<br><br>2000-Present<br><br>2004-Present | Director<br><br>Chairman<br><br>Director<br><br>Founder | Pallad PLC.<br><br>Prudent Advisory Limited<br><br>Prudent Capital Limited<br><br>Chairman, Society of Advancement for Consulting USA |
| **Mr. Sithichai Chaikriangkrai**<br>*Director*<br>Vice Chairman of Executive Committee No. 2<br>Member of Sustainability and Risk Management Committee<br><br>Date Appointed : 14 September 2011<br><br>*Remark : Mr. Sithichai Chaikriangkrai was appointed as the Vice Chairman of Executive Committee No 2 on 16 November 2018* | 64 | Bachelor of Accountancy (1st Class Honours)<br>Thammasat University<br><br>Diploma in Computer Management,<br>Chulalongkorn University<br><br>Certification of the Mini MBA in Leadership Management<br>Kasetsart University<br><br>Director Certification Program (DCP) Class 28/2003, Thai Institute of Directors<br><br>DCP Refresher Course (DCP Ref) Class 2/2006, Thai Institute of Directors | shares | -None- | Registered positions<br>September 2018 – Present<br>December 2012 – Present<br>July 2007 – Present<br>April 2007 – Present<br>January 2006 – Present<br>December 2001 – Present<br>Positions in other unlisted company<br>October 2018 – Present<br><br>August 2012 – Present<br>February 2012 – Present<br>August 2012 – Present<br>September 2007 – Present<br>Present<br>Present<br>Present<br>Present<br>Job experience of previous 5 years<br>March 2016 – January 2018<br>May 2010 – September 2016<br><br>October 2003 – May 2010 | Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director and Senior Executive Vice President, Group CFO, Sustainability and Risk Management Committee Member<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director and Executive Vice President, Risk Management Committee Member<br>Director and Senior Vice President, Risk Management Committee Member | Asset World Corp Public Company Limited<br>Golden Land Property Development Public Company Limited<br>Universities Public Company Limited<br>Siam Food Products Public Company Limited<br>Osotspa Group Public Company Limited<br>Berli Jucker Public Company Limited<br><br>Thai Beverage Public Company Limited<br><br>Frasers Property Limited (fka. Frasers Centrepoint Limited)<br>Fraser and Neave, Limited<br>Pattaya (Thailand) Co., Ltd.<br>Eastern Seaboard Industrial Estate (Rayong) Company Limited<br>Big C Retail Holding Company Limited<br>CCC Assets (Thailand) Company Limited<br>Thai Beverage Can Co., Ltd.<br>Universities REIT Management Co., Ltd.<br><br>Big C Supercenter Public Company Limited<br>Thai Beverage Public Company Limited<br><br>Thai Beverage Public Company Limited |
| **Mr. Michael Chye Hin Fah**<br>*Director and Member of Executive Committee*<br><br>Date Appointed: 9 August 2017<br><br>*Remark : Mr. Michael Chye Hin Fah resigned from Director and Executive Director on 16 November 2018* | 59 | Bachelor of Business Studies with First Class Honours in Accounting and Finance from Massey University, New Zealand<br><br>Master of Business Studies with Distinction in Accounting and Finance from Massey University, New Zealand<br><br>Fellow of the Institute of Singapore Chartered Accountants (ICSA)<br><br>Associate Member of the Institute of Chartered Secretaries & Administrators (ACIS)<br><br>Member of the Singapore Institute of Directors (SID)<br><br>Associate Member of Chartered Secretaries Institute of Singapore (CSIS) | - shares | None | **Positions in Other Listed Company**<br><br>**Positions in Non-Listed Companies**<br>October 2018 – Present<br><br><br>February 2018 – Present<br>January 2017 – Present<br>July 2018 – Present<br>March 2018 – Present<br>February 2018 – Present<br>February 2018 – Present<br>January 2018 – Present<br>January 2018 – Present<br>January 2018 – Present | Executive Vice President, Finance and Accounting Group, Deputy Group CFO / Chief Financial Officer – International Business / Sustainability and Risk Management Committee Member<br><br>Executive Director<br>Chief Financial Officer<br>Director<br>Director<br>Chairman<br>Chairman<br>Director<br>Director<br>Director | Thai Beverage Public Company Limited<br><br>Super Friends Company Pte. Ltd.<br>International Beverage Holdings Limited<br>Saigon Beer – Alcohol – Beverage Corporation<br>International Beverage Holdings (UK) Limited<br>Huay Logistics (Thailand) Limited<br>Hayt Food Distribution (Thailand) Co., Ltd.<br>BevCo Limited (Incorporated in Thailand)<br>C A C City, Ltd.<br>Sri Water Company Limited |

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Position<br>Date appointed<br>1 | Age<br>2 | Education / Training<br>Current Directorship<br>3 | Shareholding<br>(%)<br>4 | Relationship<br>5 | Working history<br>6<br>Year | Name | Current / Previous Title |
|---|---|---|---|---|---|---|---|
| | | | | | August 2012 - Present | Chairman | Osotspa Public Company Limited |
| | | | | | December 2014 - Present | Chairman of Nomination and Remuneration Committee | Osotspa Public Company Limited |
| | | | | | November 2012 - Present | Director | Osotspa Public Company Limited |
| | | | | | October 2012 - Present | Director | Sermsuk Public Company Limited |
| | | | | | October 2012 - Present | Director | Thai Agro Supply Chain and Marketing Services Company Limited |
| | | | | | October 2012 - Present | Director | International Beverage Holdings (Asia) Limited |
| | | | | | October 2012 - Present | Director | Asian Beverage Investment Limited |
| | | | | | October 2012 - Present | Director | Siam Food Investment (1998) Limited |
| | | | | | October 2012 - Present | Director | Siam Soft Drink Company Limited |
| | | | | | September 2012 - Present | Director | Thai Beverage Public Company Limited |
| | | | | | May 2012 - Present | Director | Super Brands Company Pte Ltd. |
| | | | | | July 2011 - Present | Director | InterBev Singapore Limited |
| | | | | | July 2011 - Present | Director | International Beverage Holdings (Singapore) Pte Limited |
| | | | | | July 2011 - Present | Director | International Beverage Holding Limited |
| | | | | | May 2011 - Present | Director | Asian Beverage Investment (Hong Kong) |
| | | | | | April 2011 - Present | Director | International Beverage (Europe) Limited |
| | | | | | April 2011 - Present | Director | Vertex Limited |
| | | | | | April 2017 - Present | Non-executive Director | Vietnam Dairy Products Joint Stock Company |
| | | | | | February 2017 - Present | Alternate Director to Mr. Thapana Sirivadhanabhakdi | Thai Beverage Public Company Limited |
| | | | | | January 2012 - August 2016 | Non-executive Director | Pacific Beverage Limited |
| | | | | | January 2012 - August 2016 | Non-executive Director | BBC Beverage Alliance Corporation |
| | | | | | June 2012 - August 2016 | Non-executive Director | Thaibev Capital Management Pte Ltd |
| | | | | | September 2011 - August 2016 | Non-executive Director | BBC (BVI) Ltd. |
| | | | | | October 2011 - August 2016 | Non-executive Director | Bhirombhakdi Pte Ltd. |
| | | | | | January 2012 - September 2016 | Executive Vice President - Investment Management, Risk Management and Corporate Secretary | Thai Beverage Public Company Limited |
| Mr. Lester Burton Urbahn<br>Director<br>Nomination, Remuneration and Corporate Governance Committee Member<br>Member of Executive Committee<br>Resigned<br>Resigned on February 28, 2017 | 68 | Master's degree in Business Administration, New York University, USA<br>Certified Public Accountant, State of New York, USA<br>Bachelor of Science in Economics, Wharton School, University of Pennsylvania, USA | - Thousand | None | Past Experience<br><br>Partners in Other Listed Companies<br>February 2013 - Present<br><br>May 2013 - Present<br><br>May 2013 - Present<br><br>May 2014 - March 2017<br><br>November 2016 - Present<br><br>November 2016 - Present<br><br>Investments and Investor Roles<br>January 2011 - October 2016<br><br>July 2012 - December 2015 | Partner<br><br>Senior Vice President, Chief Risk Officer, Foreign Exchange Division<br>Director<br>Nomination and Remuneration Committee Member<br><br>Director<br><br>Director<br><br>Director<br><br>Director, Chief Investment Officer, Non-Insurance Exchange Traded Funds<br><br>Director, Chief Investment Officer, Equities<br><br>Managing Director<br><br>Managing Director | Thai Beverage Public Company Limited<br><br>Thai Beverage Public Company Limited<br><br>Osotspa Public Company Limited<br><br>Mutual Fund Management Co., Ltd.<br><br>Thai Life Insurance Public Company Limited<br><br>Thai Reinsurance Public Company Limited<br><br>Thai Beverage Public Company Limited<br><br>Thai Beverage Public Company Limited<br><br>Mauritius Beverages Company LLC (Until November 2016) |
| Mr. Pongpol Tuntrakool<br>Director<br>Resigned on November 30, 2017 | 58 | Master's degree in Economics, Chulalongkorn University<br>Bachelor's degree in Economics, Chulalongkorn University<br>Director Accreditation Program (DAP), Thai Institute of Directors (IOD) | - shares | None | Past Experience<br>Director<br><br>Sole Trader<br>Since 2008<br><br>Present Position<br>Director<br><br>Executive Director<br>Since 2012 | Managing Director<br><br>Owner<br><br>Advisor<br><br>Executive Director | Thai Beverage Public Company Limited<br>Pongpol Tuntrakool<br><br>Pongpol Tuntrakool<br><br>Thai Beverage Public Company Limited |

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Position<br>Date Appointed | Age | Education / Training | Shareholding (%) | Relationship |
|---|---|---|---|---|
| Mr. Kanjana Langsrisurat<br>Chairman of the Executive Committee<br>Director since 1 May 2018 | 56 | Master's Degree in Business Administration<br>Thammasat University | - shares | - None - |
| Ms. Wanida Watcharapich<br>Director / Executive Vice President - Corporate Strategy<br>Director since 1 May 2018 | 51 | Master's Degree in Business Administration<br>Chulalongkorn University<br>Bachelor of Accountancy<br>Thammasat University | 1 shares | None |
| Mr. Nitipat Petnuan<br>Director / Chief Financial Officer<br>Director since 1 May 2018 | 44 | Master's Degree in Business Administration<br>Assumption University | - shares | None |
| Ms. Chirawan Jiyapanich<br>Director / Executive Vice President - Sales and Marketing<br>Director since 1 May 2018 | 49 | Bachelor of Education (Mathematics)<br>Khon Kaen University<br>Master of Business Administration<br>National Institute of Development Administration (NIDA) | 1 shares | None |
| Mrs. Pornpimol Kanchanachitra<br>Director / Chief Executive Officer - Premium Tea<br>Director since 1 May 2018 | 51 | Master's Degree in Business Administration<br>Thammasat University | - shares | - None - |
| Mr. Pipat Yoovidhya<br>Director<br>Director since 1 May 2018 | 72 | Bachelor of Mechanical Engineering<br>Chulalongkorn University | 1 shares | None |
| Mrs. Suvarnthat Sukhapesna Asavanant na Ayudhya<br>Director / Executive Vice President - Corporate Affairs<br>Director since 1 May 2018 | 56 | Bachelor of Science in Accounting, Chulalongkorn University<br>Master of Business Administration, Thammasat University | - shares | None |
| Mr. Pongsak Hoontrakul<br>Director / Chairman of the Audit Committee<br>Director since 1 May 2018 | 70 | PhD in Economics, Yale University | - shares | None |

| Work Experience in the Past 5 Years | | |
|---|---|---|
| Year | Position | Company / Business Type |
| Present<br>January 2017 - Present<br>2017 - Present<br>2016 - Present<br>2015 - Present<br>2014 - Present | Executive Director and Chairman of the Executive Committee<br>Director<br>Member of the Executive Committee<br>Director<br>Director | Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Thai Union Group Plc.<br>Thai Union Group Plc. |
| Present<br>1 March 2017 - Present<br>1 March 2017 - 30 April 2018<br>1 March 2016 - 28 February 2017<br>1 December 2015 - 28 February 2016<br>2015 - 2016 | Director, Executive Vice President - Corporate Strategy<br>Director, Executive<br>Director<br>Director, Executive Vice President - Corporate Strategy<br>Director, Executive Vice President - Corporate Strategy<br>Director, Executive | Sermsuk Plc.<br>Sermsuk Plc.<br>Precise Solution Co., Ltd.<br>The Siam Agri-Technology Company Limited<br>The Siam Agri-Technology Company Limited<br>The Siam Agri-Technology Company Limited |
| Present<br>2013 - January 2017 | Director, Chief Financial Officer<br>Director, Chief Financial Officer | Sermsuk Plc.<br>Sermsuk Plc. |
| Present<br>March 2017 - Present<br>March 2016 - February 2017<br>May 2015 - March 2016<br>May 2015 - March 2016<br>2014 - 2015 | Director<br>Sales Director (B2C, Pet, Asia)<br>Director, Executive Director<br>Sales Operation Director<br>Director - Management Trainee<br>Director - Development & Project Director<br>Sales Director | Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>The Siam Cement Group Plc. |
| Present<br>26 April 2018 - Present<br>2 May 2011 - March 2018 | Director<br>Operation Director<br>Process & Supply Chain Director | Sermsuk Plc.<br>Thai Union Group Plc. and its Subsidiaries |
| Present<br>1 May 2018 - Present<br>November 2014 - Present<br>1 January 2015 - December 2015<br>September 2011 - August 2014 | Director<br>Senior Executive Vice President - Risk Management and Planning<br>Independent Director and Audit Committee<br>Chairman of the Executive Committee<br>Vice President - Risk Management | Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc. |
| Present<br>1 May 2018 - Present<br>2 May 2016 - 30 April 2018<br>1 May 2016 - 1 May 2018<br>2015 - 2016 | Director<br>Sales Director (B2C, Pet)<br>Director, Executive Director<br>Director, Executive<br>Director, Executive | Sermsuk Plc.<br>Sermsuk Plc.<br>Sermsuk Plc.<br>Thai Union Group Plc. and its Subsidiaries |

# Information of the Company's Directors, Management, Controlling person and Company Secretary

| Name<br>Position<br>Date Appointed<br>(1) | Age | Education / Training<br>(2) | Shareholding (%)<br>(3) | Relationship<br>(4) | Working History<br>(5) | | |
|---|---|---|---|---|---|---|---|
| | | | | | Year | Position | Company / Business Type |
| Ms Pornlada Watcharasakdi<br>Director<br>Appointed: 1 January 2015<br>Responsibilities:<br>Director of the Executive Committee<br>Responsible Director<br><br>Authorized Director<br><br>Director of the Company's Subsidiaries<br><br>Declared interests in contracts with the Company or subsidiaries<br><br>Director of the Company's Associated Companies<br>Shareholding in the Company and its subsidiaries<br>Board Attendance<br><br>Achievements in the last year:<br>- Managed the strategic business alignment and investments<br>- Attended environmental training courses to enhance knowledge of Board of Directors' roles and responsibilities<br>Strategic objectives:<br>- Attended meetings to approve financial statements and the Annual Report of the Company and subsidiaries<br>Declared interests in contracts with the Company or subsidiaries during the accounting period and the nature of such interests and compliance<br><br>Any other commitments which may affect the Company | 49 | Master of Science in Finance, Carnegie Mellon University<br>Executive Program*<br><br>Master of Science in Accounting,<br>Thammasat University<br>Bachelor of Business Administration in Accounting,<br>Thammasat University<br><br>Company Secretary Program*, Thai Institute of Directors | 0.00% | None | Present<br>1 July 2014 - Present<br>1 October 2013 - 30 September 2014<br>1 March 2011 - 30 April 2014<br>Present<br>1 January 2015 | Director, Executive and Director<br>Director, Director<br>Chairman<br>Deputy Executive Administrative Manager<br>CFO, Accounting | Sermsuk Plc<br>Sermsuk Plc<br>Board of Advisors - M<br>The Thai Institute of Directors Association<br>Chaiyo Insurance Public Company Limited |

# Report of the Board of Director's Responsibility on the Financial Statements

**Report of the Board of Director's Responsibility on the Financial Statements**

As a listed company, the Board of Directors realizes the duties and responsibilities for preparation of financial statements of Sermsuk Public Company Limited and its subsidiaries, in accordance with Thailand Financial Reporting Standard, by selecting an appropriate accounting policy, to which the company has strictly adhered on a regular basis.

The Board of Directors has exercised due care and reasonable projection in preparing the reports. There is adequate disclosure of material information in the Notes to Financial Statements as well as explanations and analysis as regards to the financial status and operating results of the Company and its subsidiaries, for the benefits of shareholders and general investors alike. The financial statements have been audited, with unqualified opinion by independent certified public accountants. In addition, the Board of Directors has promoted actions in accordance with Corporate Governance Principles, and assured that the company has adopted efficient and effective risk management and internal control systems. These will ensure that the accounting data recording procedures are accurate, complete and sufficient for maintaining assets of the Company and its subsidiaries, including prevention of material frauds and irregularities.

In so doing, the Audit Committee of the Company, consisting of independent directors as members, has reviewed the quality of financial reports and the internal control system, and hereby expressed their opinion in the Report of Audit Committee, as shown in the Annual Report and 56-1 Reporting Form. The Board of Directors is of the opinion that Corporate Governance, risk management and internal control systems of the company are adequate and appropriate, thereby providing reasonable assurances that the Financial Statements of the Company and its subsidiaries, for the Year Ending September 31, 2018, had been prepared and disclosed accurately, as deemed fully compliant to the financial reporting standard.

# Report of the Audit Committee

## REPORT OF THE AUDIT COMMITTEE

Dear the shareholders
Sermsuk Public Company limited

The Audit Committee appointed by the Board of Directors consisted of three independent directors, Professor Dr. Khunying Suchada Kiranandana, Mr. Suchin Wanglee and Mrs. Siripen Sitasuwan.

In 2018, the Audit Committee held 5 meetings. The four ordinary meetings and one special meeting 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 ensure compliance with related laws and regulatory requirements in overall operations; and recommended the appointment of the external auditor and annual audit fee to the Board of Directors.

The Company operations and its subsidiaries in 2018 revealed that the company had an adequate internal control system. The financial statement were prepare and reported in accordance with the Statements of Thai Financial Reporting Standards. The disclosures and related transaction complied with the appropriate laws and regulatory requirements.

-Signature-
(Professor Dr. Khunying Suchada Kiranandana)
Chairman of Audit Committee

# Report of the Sustainability and Risk Management Committee

## REPORT OF THE SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE

Dear the shareholders
Sermsuk Public Company limited

The Sustainability and Risk Management Committee appointed by the Board of Directors consists of 7 committee members, namely, Professor Dr. Khunying Suchada Kiranandana, Mr. Thapana Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Mr. Dhitivute Bulsook, Mrs. Siripen Sitasuwan, Mr.Pramoad Phornprapha, Mr. Lester Tan Teck Chuan. Executive members including National Sales Director, Finance Director, Human Resources Director and Operations Director.

In 2018, the Sustainability and Risk Management Committee held four meetings to perform the duties assigned by the Board of Directors. The tasks included developing principles and guidelines to undertake sustainability and risk management more efficiently on a continual basis, reviewing risk factors and scopes both at internal and external levels as well as monitoring the operations outcomes in conjunction with sustainability and risk management principles and suggesting appropriate adjustments to strategic planning for sustainable management.

Given the operations of the Company and its subsidiaries in 2018, the Sustainability and Risk Management Committee reported that the Company has prepared a sustainability and risk management plan and implemented a policy to manage sustainability and risk more efficiently and continually in line with good corporate governance requirements while undertaking adequate internal controls that best suited the Company's businesses.

-Signature-
(Professor Dr. Khunying Suchada Kiranandana)
Chairman of the Sustainability and Risk Management Committee

# Report of the Compensation Committee

**Report of the Compensation Committee**

Dear the shareholders
Sermsuk Public Company limited

The Compensation Committee of Sermsuk Public Company Limited (the Company) consists of 3 members, of which Mr. Suchin Wanglee served as the Chairman of the Committee and Mr. Thapana Sirivadhanabhakdi, Mr. Chotiphat Bijananda as the member of the Committee. The Compensation Committee has carried out duties under the framework and responsibilities assigned the Board of Directors in considering remuneration and other benefits of all directors and senior executives for proposal to the Board of Directors and/or Shareholders, as the case may be.

In 2018, the Compensation Committee held 2 meetings in accordance with the plan. All Committee members attended every meeting and the result of the meeting has consistently been reported to the Board of Directors. Summary of key actions are as follow:

1. Consideration the remuneration meeting allowances and bonus payment of directors for the year 2019

2. Consideration the 2019 Merit Increase and 2018 Bonus Budgets

The Compensation Committee performed its duties in full scope of responsibilities with careful considerations, taking into account of guidelines and referencing to other companies of similar business size in the same and/or similar industry with suitability and alignment to the economic situation, performance and assigned responsibilities for stakeholder's confidence that the Company's remuneration practice has been properly and equitably implemented.

-Signature-
(Mr. Suchin Wanglee)
Chairman of the Compensation Committee

# Report of the Nominating and Corporate Governance Committee

**Report of the Nominating and Corporate Governance Committee**

Dear Shareholders,
Sermsuk Public Company Limited

The Nominating and Corporate Governance Committee (**"the Committee"**) appointed by the Board of Directors consists of 3 directors, namely Mr. Thapana Sirivadhanabhakdi, Chairman of the Committee, and Mr. Chotipat Bijananda and Mr. Pramoad Phornprapha, members of the Committee, and 1 of which is an independent director.

During the financial year 2018, the Committee held 1 meeting, which was attended by all Committee members, and reported the results of the meeting to the Board of Directors. The Committee has performed its duties within the scope of duties and responsibilities established by the Board of Directors to recruit and nominate qualified and knowledgeable persons, as well as improved the principles and given suggestions to the Board of Directors on Corporate Governance, with the following summary of key actions:

1. Consideration and nomination of a candidate with the qualifications and experience suited the Company's business needs for the Board of Directors to consider and appoint as a replacement for the Company's Director who resigned from the position.

2. Consideration and revision of the Company's corporate governance code, including giving advice regarding its implementation, in order for it to be in line with the Corporate Governance Code 2017 for listed companies issued by Thailand's Securities and Exchange Commission.

3. Acknowledgment of the quality of the Company's 2018 Annual General Meeting of Shareholders as assessed by the Thai Investors Association, including undergoing revisions and providing advice to improve the Company's assessment score.

4. Acknowledgment of the assessment results of the Corporate Governance Report of Thai Listed Company 2018 as assessed by Thailand's Institute of Directors, including undergoing revisions and providing advice to improve the Company's assessment score.

The Committee has performed its duties in accordance with the scope of duties and responsibilities in a complete, prudent, and independent manner, by taking into consideration the maximum benefits to the Company and all stakeholders.

-Signature-
(Mr. Thapana Sirivadhanabhakdi)
Chairman of Nominating and Corporate Governance Committee

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