

บริษัท สุรพลฟู้ดส์ จำกัด (มหาชน)  
Surapon Foods Public Company Limited

# ANNUAL REPORT 2017

รายงานประจำปี 2560



# SURAPON

Inspiring Your Smiles  
เพื่อรอยยิ้มของคุณ

[www.surapon.com](http://www.surapon.com)



**SURAPON**





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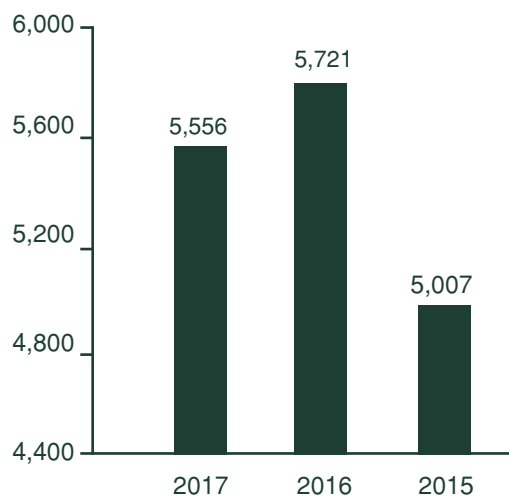
# Financial Highlights

Unit: Million Baht

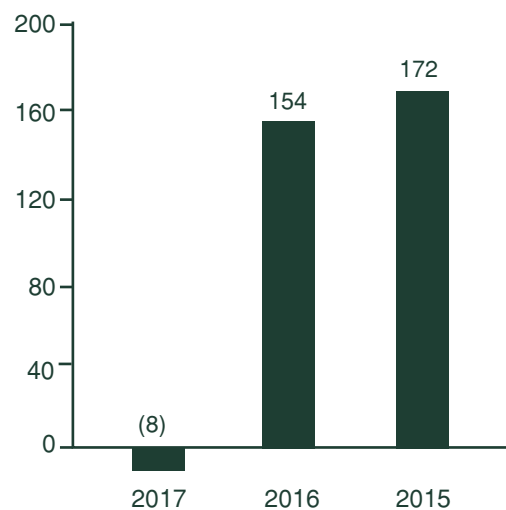
	2017	2016	2015
<b>Total Assets</b>	3,625.45	3,593.90	3,187.73
Total Liabilities	1,306.10	1,147.54	825.36
Total Equity	2,319.35	2,446.36	2,362.37
Revenue from Sales and Services	5,556.19	5,721.14	5,006.99
Total Revenue	5,731.74	5,828.16	5,121.46
Gross Profit	676.71	927.61	680.56
Profit (Loss)	194.98	461.24	344.29
Profit (Loss) Attributable to Owners of the Company	(8.42)	154.48	171.98
<b>Financial Ratio</b>			
Net Profit Margin (%)	3.40	7.91	6.72
Return on Equity (%)	8.18	19.18	15.31
Return on Assets (%)	5.40	13.60	11.05
Net Profit (Loss) per Share (Baht)	(0.03)	0.57	0.64
Book Value per Share (Baht)	8.59	9.06	8.75

Note : The above figures are as indicated in Consolidated Financial Statement

Revenue from Sales and Service  
(Million Baht)



Profit(Loss)Attributable to Owners of the Company  
(Million Baht)





## Message from Chairman and Chief Executive Officer

In the year 2017, The Company and its subsidiaries have continuously tried to maintain their sustainable performance stability by providing more coverage of products and services varieties. Proportion of sales value of frozen and processed chicken products is apparently increased compared to sales value of frozen and processed shrimp products.

Overall situation of upstream businesses; shrimp and chicken raw materials, still encountered many uncertainties and fluctuations which affected business operations of the downstream processors. Supply quantity of shrimp harvested raw materials was reduced by 2% compared to previous year. Supply quantity in the year 2017 amounted to 246,000 tons which is around 50% lower than Thailand's maximum quantity have ever been supplied. Whereas, supply quantity of chicken raw materials was increased by 2% compared to previous year as well as higher average cost of chicken raw materials due to the fact that supply quantity is still insufficient to serve its demands according to an increase of world consumption.

In the year 2017 which the Company and its subsidiaries encountered with fluctuations of shrimp and chicken businesses as mentioned above together with many plants under the managements of the group of companies are under renovation and construction in order to serve more potential business opportunity in the future. There are all together three plants have been newly renovated; the plant in Samutprakarn province under the management of Surapon Foods PCL. as well as the plant in Prachinburi province under the management of Surapon Supreme Co., Ltd. and the plant in Suratthani province under the management of Surat Seafoods Co., Ltd. During the periods of renovation which lines of production are required to stop its operation, leaded to a decrease in production capacity in some certain period. Consequently, overall business performance of the group of companies was decreased from previous year. However, Board of Directors and the Executives have tried to perform their best effort to improve and develop their business performance in order to maintain suitable business performance results and satisfied dividend payout rate.

In the year 2018, the Company and its subsidiaries expect that business operation readiness is better improved due to major renovations of three plants as mentioned above will be completed and will be ready to highly contribute their operations to meet with the planned targets. The Company and its subsidiaries are still committed to manage business around strong corporate governance values as well as anti-corruption commitment, where all the stakeholders are treated fairly, which would result in stable and sustained business growth.

Lastly, on behalf of the Company's Board of Directors, Management Team, and Employees, we would like to thank you for your continuous support and we hope that we will always receive this strong support in the future.

Bangkok on February 28, 2018.

(Mr. Kosol Chantikul)  
Chairman

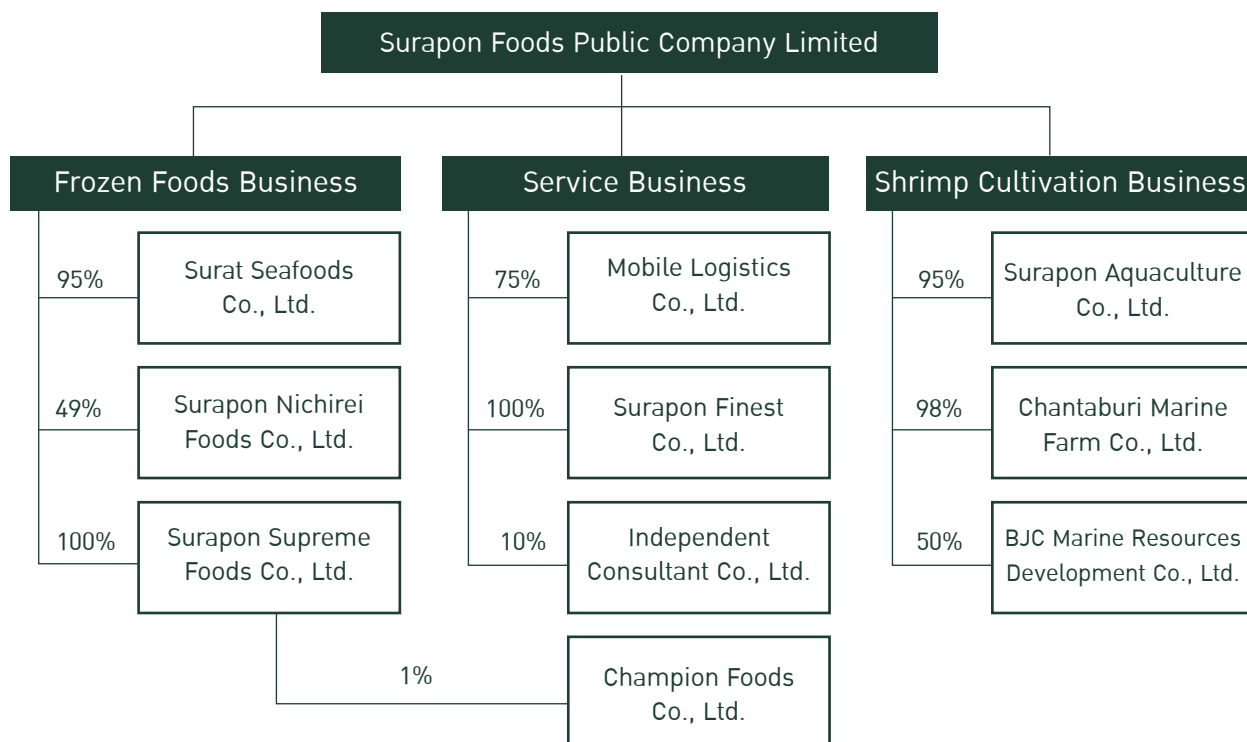
(Mr. Sorapon Vongvadhanaroj)  
Chief Executive Officer



## General Information

<b>Name</b>	Surapon Foods Public Company Limited
<b>Address</b>	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand
<b>Contact</b>	Head Office: (662) 3853038-54 Company Secretary: (662) 3853038-54 ext. 561 E-mail: patt@surapon.com Investor Relation: (662) 3853038-54 ext. 765, 553, 561 E-mail: investor@surapon.com
<b>Company Registration Number</b>	0107537000661
<b>Type of Business</b>	Manufacturer and Distributor of Frozen Foods
<b>Stock Quote</b>	SSF
<b>Registered Capital</b>	270,000,000 Baht (Paid-up Capital = 269,999,000 Baht)
<b>Par Value</b>	1.00 Baht per share
<b>Ending period</b>	December 31

## Structure of the Company's Group



Company		Details of the Company
Surat Seafoods Co., Ltd.(SS)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Manufacturer and Distributor of Frozen Seafoods
	Registered Capital	40,000,000 Baht
	Shareholding by SSF	94.94%
Surapon Nichirei Foods Co., Ltd, (SUNIF)	Address	22/5 Moo 4 Theparak Road, Bangpleeyai Sub-district, Bangplee District, Samutprakarn 10540, Thailand Tel: (662) 3855021-4 Fax: (662) 3855119
	Type of Business	Manufacturer and Distributor of Frozen Foods
	Registered Capital	100,000,000 Baht
	Shareholding by SSF	49%
Surapon Supreme Foods Co., Ltd. (SUP)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Manufacturer and Distributor of Frozen Foods
	Registered Capital	286,350,000 Baht
	Shareholding by SSF	100%
Mobile Logistics Co., Ltd. (MBL)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Logistics Service Provider
	Registered Capital	300,000,000 Baht
	Shareholding by SSF	75%
Surapon Finest Co., Ltd. (SOFINE)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Trading
	Registered Capital	30,000,000 Baht
	Shareholding by SSF	100%
Independent Consultant Co., Ltd. (ICC)	Address	1168/75 Lumpini Tower 26th Floor, Rama 4 Road, Bangkok 10120, Thailand Tel: (662) 6798184 Fax: (662) 2856428
	Type of Business	Insurance Broker
	Registered Capital	2,000,000 Baht
	Shareholding by SSF	10%



Company	Details of the Company	
Surapon Aquaculture Co., Ltd. (SAC)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Shrimp Cultivation Farm
	Registered Capital	85,000,000 Baht
	Shareholding by SSF	95%
Chantaburi Marine Farm Co., Ltd. (CHAMF)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Shrimp Cultivation Farm
	Registered Capital	86,350,000 Baht
	Shareholding by SSF	98.17%
BJC Marine Resources Development Co., Ltd. (BMRD)	Address	247 Moo 1 Theparak Road, Theparak Sub-district, Muang District, Samutprakarn 10270, Thailand Tel: (662) 3853038-54 Fax: (662) 3853179
	Type of Business	Shrimp Cultivation Farm
	Registered Capital	100,000,000 Baht
	Shareholding by SSF	50%

## References

- Security Registrar**

Thailand Securities Depository Company Limited  
Tel: (662) 0099999 Fax: (662) 0099991
- Auditor**

Ms. Orawan Sirirattanawong, CPA License No. 3757  
KPMG Phoomchai Audit Co., Ltd.  
Tel: (662) 6772000 Fax: (662) 6772222
- Bankers**

Kasikorn Bank Public Company Limited  
Siam Commercial Bank Public Company Limited  
Bangkok Bank Public Company Limited

**Note:** Investors can learn more the Company's Information from annual report form (Form 56-1) to be publicized in [www.sec.or.th](http://www.sec.or.th) and [www.surapon.com](http://www.surapon.com).





# Board of Directors and Executives

(Information as of February 1, 2018)



**Mr. Kosol Chantikul** Age : 71 years  
Independent Director and Chairman

## Education

- Master Degree in Law, University of Sydney, Australia
- Master Degree in Law, Chulalongkorn University
- Bachelor Degree in Law, Thammasat University

## IOD Training

- DCP class 18/2002
- Role of the Chairman Program class 13/2006

**Position in Subsidiaries** No

**Workings in Other Listed Companies** No

## Workings in Other Organizations

- Legal Advisor, Team Group of Companies Co., Ltd.
- Legal Advisor, HNP Counsellors Limited

## Qualifications for Independent Directors

- Qualifications are conformed with the qualifications of Independent Directors as announced by the Stock Exchange of Thailand, the Securities and Exchange Commission and the Company's policy on nomination of Directors

**Dispute** No

**Date of Directorship** March 1997



**Mr. Surapon Vongvadhanaroj** Age : 72 years  
Authorized Director/Chairman of Executive Committee/  
Member of Nomination and Remuneration Committee

## Education

- Master Degree in Political Economics, Chulalongkorn University
- Bachelor Degree in Political Science, Ramkhamhaeng University

## IOD Training

- Role of the Chairman Program (RCP) class 7/2002
- DCP class 41/2004
- Developing Corporate Governance Policy 2008

## Position in Subsidiaries

- Chairman, Surapon Nichirei Foods Co., Ltd.
- Chairman, Mobile Logistics Co., Ltd.
- Director, Surat Seafoods Co., Ltd.
- Director, Surapon Aquaculture Co., Ltd.
- Director, Chantaburi Marine Farm Co., Ltd.

**Workings in Other Listed Companies** No

## Workings in Other Organizations

- Director, Pokai Plus Co., Ltd
- Director, Pokai Holdings Co., Ltd.
- Independent Director and Audit Committee, Sompoo Insurance (Thailand) Co., Ltd.

**Dispute** No

**Date of Directorship** December 13, 1977



**Mr. Sithichai Kraisithisirin** Age : 72 years

Authorized Director and Advisor

#### Education

- Master Degree in Business Administration, Chulalongkorn University
- Bachelor Degree in Law, Chulalongkorn University

#### IOD Training

- DCP class 5/2001

#### Position in Subsidiaries

- Director and Advisor, Surapon Nichirei Foods Co., Ltd.
- Director, Surat Seafoods Co., Ltd.
- Director, Surapon Aquaculture Co., Ltd.
- Director, Chantaburi Marine Farm Co., Ltd.

#### Workings in Other Listed Companies

- Director, Lighting and Equipment Public Company Limited

Workings in Other Organizations No

Dispute No

Date of Directorship December 13, 1977



**Mr. Chokchai Jiengwareewong** Age: 73 years

Authorized Director, Chairman of Nomination and Remuneration/Advisor

#### Education

- High School, Amnuaysilpa School

#### IOD Training

- DAP class 6/2003

#### Position in Subsidiaries

- Director, Surat Seafoods Co., Ltd.
- Director, Surapon Aquaculture Co., Ltd.
- Director, Chantaburi Marine Farm Co., Ltd.

Workings in Other Listed Companies No

#### Workings in Other Organizations

- Director, S J Universal Co., Ltd.

Dispute No

Date of Directorship December 13, 1977



**Mr. Pisnu Rianmahasarn** Age: 69 years

Independent Director/Chairman of Corporate Governance Committee/member of Audit Committee

#### Education

- Doctoral Degree in Economics, Ramkhamhaeng University
- Master Degree in Economics, Duke University, USA.
- Bachelor Degree in Economics, Thammasat University

#### IOD Training

- DAP class 80/2009

**Position in Subsidiaries** No

**Workings in Other Listed Companies** No

**Workings in Other Organizations** No

#### Qualifications for Independent Directors

- Qualifications are conformed with the qualifications of Independent Directors as announced by the Stock Exchange of Thailand, the Securities and Exchange Commission and The Company's policy on Nomination of Directors

**Dispute** No

**Date of Directorship** April 27, 2009



**Mr. Sathaporn Kotheeranurak** Age: 62 years

Independent Director/Chairman of Audit Committee

#### Education

- Advanced Certificate in Accounting, Thammasat University
- Master Degree in Business Administration for Executives, Chulalongkorn University
- Bachelor Degree in Accounting, Rajamangala University of Technology

#### IOD Training

- DAP class 34/2005
- Advanced Audit Committee Program class 13/2013

**Position in Subsidiaries** No

#### Workings in Other Listed Companies

- Independent Director, Audit Committee, Kaset Thai International Sugar Corporation PLC.
- Independent Director, Chairman of Audit Committee, AA Electri Li PLC.

#### Workings in Other Organizations

- Managing Director, DBMT Co., Ltd.
- Managing Director, Sahaporn & Co Co. Ltd.

#### Qualifications for Independent Directors

- Qualifications are conformed with the qualifications of Independent Directors as announced by the Stock Exchange of Thailand, the Securities and Exchange Commission, Policy on Nomination of Directors. Has adequate experience to review creditability of the financial reports

**Dispute** No

**Date of Directorship** May 14, 2009



**Miss Malai Wongwatroj**

Age: 62 years

Authorized Director, member of Risk Management Committee and Advisor

**Education**

- Bachelor Degree in International Marketing, Baruch College, USA.

**IOD Training**

- DCP class 135/2010

**Position in Subsidiaries**

- Director, Surat Seafoods Co., Ltd.

**Workings in Other Listed Companies** No

**Workings in Other Organizations** No

**Dispute** No

**Date of Directorship** April 8, 2010



**Mr. Paiboon Kangvonkit**

Age: 50 years

Director and Chairman of Risk Management Committee

**Education**

- Master Degree in International Trade, Texas A&M International University, USA.
- Bachelor Degree in Accounting, The University of Thai Chamber of Commerce

**IOD Training**

- DAP class 75/2010
- DCP class 148/2011

**Position in Subsidiaries**

- Director and President, Surapon Nichirei Foods Co., Ltd.

**Workings in Other Listed Companies** No

**Workings in Other Organizations**

- Director, Prapaikij Construction Co., Ltd.

**Dispute** No

**Date of Directorship** April 8, 2010



**Mr. Sorapon Vongvadhanaroj** Age: 36 years

Authorized Director/member of Corporate Governance Committee/  
member of Risk Management Committee/Chief Executive Officer

#### Education

- Master Degree in Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University.
- Bachelor Degree in Business Administration, Babson College, USA.

#### IOD Training

- DCP 163/2012

#### Position in Subsidiaries

- Chairman, Surapon Supreme Foods Co., Ltd.
- Chairman, Surapon Finest Co., Ltd.
- Chairman, Surat Seafoods Co., Ltd.
- Director, Surapon Aquaculture Co., Ltd.
- Director, Chantaburi Marine Farm Co., Ltd.
- Director, BJC Marine Resources Development Co., Ltd.
- Director, Mobile Logistics Co., Ltd.

**Workings in Other Listed Companies** No

#### Workings in Other Organizations

- Director, Pokai Plus Co., Ltd.
- Director, Pokai Holdings co., Ltd.

**Dispute** No

**Date of Directorship** April 4, 2012



**Mr. Putaporn Ninwarangkoon** Age: 65 years

Director/Member of Audit Committee and Member  
of Nomination and Remuneration Committee

#### Education

- Master Degree in Business Administration, University of San Francisco
- Bachelor Degree in Accounting, Kasetsart University

#### IOD Training

- DAP class 127/2016

**Position in Subsidiaries** No

**Workings in Other Listed Companies** No

#### Workings in Other Organizations

- Advisor, Sompoo Insurance (Thailand) PLC.

#### Qualifications for Independent Directors

- Qualifications are conformed with the qualification of Independent Directors as announced by the Stock Exchange of Thailand, The Securities and Exchange Commission and The Company's policy on Nomination of Directors

**Dispute** No

**Date of Directorship** April 4, 2013

## Executives

(Information as of February 1, 2018)

Name	Details	
Mr. Sorapon Vongvadhanaroj	Education	<ul style="list-style-type: none"> <li>• Master Degree in Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>• Bachelor Degree in Business Administration, Babson College, USA.</li> </ul>
	Position in the Company	Chief Executive Office
	Position in Subsidiaries	<ul style="list-style-type: none"> <li>• Chairman, Surapon Supreme Foods Co., Ltd.</li> <li>• Chairman, Surapon Finest Co., Ltd.</li> <li>• Chairman, Surat Seafoods Co., Ltd.</li> <li>• Director, Surapon Aquaculture Co., Ltd.</li> <li>• Director, Chantaburi Marine Farm Co., Ltd.</li> <li>• Director, BJC Marine Resources Development Co., Ltd.</li> <li>• Director, Mobile Logistics Co., Ltd.</li> </ul>
	IOD Training	DCP 163/2012
Mr. Montai Chulatitta	Education	Bachelor Degree in Science, Mahidol University
	Position in the Company	Senior Vice President — Special Projects
	Position in Subsidiaries	<ul style="list-style-type: none"> <li>• Director, Mobile Logistics Co., Ltd.</li> <li>• Director, Surapon Supreme Foods Co., Ltd.</li> <li>• Director, BJC Marine Resources Development Co., Ltd.</li> </ul>
	IOD Training	DCP 243/2017
Mr. Thomas Ung	Education	Bachelor Degree in Sociology, Polhems Skolan College, Sweden
	Position in the Company	Senior Vice President — Operations
	Position in Subsidiaries	No
	IOD Training	No
Mr. Theerawat Katanyukul	Education	Master Degree in Finance, California State University Bachelor Degree in Marketing, Thammasat University
	Position in the Company	Vice President — Finance and Corporate Services
	Position in Subsidiaries	Director, Surapon Supreme Foods Co., Ltd.
	IOD Training	No

Name	Details	
Mr. Patt Somchaikulsup <sup>1/</sup>	Education	Master Degree in Economics, Thammasat University Bachelor Degree in Economics, Thammasat University
	Position in the Company	Vice President — Office of Chief Executive Officer and Company Secretary
	Position in Subsidiaries	No
	IOD Training	Company Secretary Program (CPS) class 27/2008 Effective Minute Taking (EMT) class 15/2009 Developing Corporate Governance Policy 2008
Mr. Supakorn Ruangsin <sup>2/</sup>	Education	Bachelor Degree in Food Science and Technology, Suan Dusit Rajabhat University
	Position in the Company	Vice President — Operations
	Position in Subsidiaries	Director, Surat Seafoods Co., Ltd.
	IOD Training	No

Remarks: <sup>1/</sup> To be appointed to post in management position since February 1, 2018

<sup>2/</sup> To be expired from management position since February 1, 2018 due to organization restructuring



## Report of Directors' Shareholding

(Information as of February 1, 2018)

	Name	Amount of Shareholding				Changes
		January 31, 2017	Proportion (%)	February 1, 2018	Proportion (%)	
1	Mr. Kosol Chantikul	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-
2	Mr. Surapon Vongvadhanaroj	13,980,000	5.18	13,980,000	5.18	-
	Spouse and Minor Children	6,957,000	2.58	7,197,000	2.67	Increase 240,000
3	Mr. Sithichai Kraisithisirin	14,436,000	5.35	14,436,000	5.35	-
	Spouse and Minor Children	-	-	-	-	-
4	Mr. Chokchai Jiengwareewong	9,085,090	3.36	9,235,090	3.42	Increase 150,000
	Spouse and Minor Children	9,000,000	3.33	9,000,000	3.33	-
5	Mr. Pisnu Rianmahasarn	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-
6	Mr. Sathaporn Kotheeranurak	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-
7	Mr. Paiboon Kangvonkit	-	-	-	-	-
8	Miss Malai Wongwatroj	77,000	0.03	77,000	0.03	-
9	Mr. Sorapon Vongvadhanaroj	47,588,500	17.63	7,088,650	2.63	Decrease 40,499,850
	Spouse and Minor Children	-	-	-	-	-
10	Mr. Putaporn Ninwarangkoon	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-

## Report of Executives' Shareholding

(Information as of February 1, 2018)

	Name	Amount of Shareholding				Changes
		January 31, 2017	Proportion (%)	February 1, 2018	Proportion (%)	
1	Mr. Sorapon Vongvadhanaroj	47,588,500	17.63	7,088,650	2.63	Decrease 40,499,850
	Spouse and Minor Children	-	-	-	-	-
2	Mr. Montai Chulatitta	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-
3	Mr. Thomas Ung	-	-	-	-	-
4	Mr. Theerawat Kantanyukul	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-
5	Mr. Patt Somchaikulsup <sup>1/</sup>	-	-	-	-	-
6	Mr. Supakorn Ruangsinsin <sup>2/</sup>	-	-	-	-	-
	Spouse and Minor Children	-	-	-	-	-

Remarks : <sup>1/</sup> To be appointed to post in management position since February 1, 2018

<sup>2/</sup> To be expired from management position since February 1, 2018 due to organization restructuring



### Overall Industry and Competition

The Group of company's major products are frozen and processed shrimp and frozen and processed chicken.

### Overall Situation of Frozen and Processed Shrimp Business

Thailand's total shrimp cultivation quantity in 2017 amounts to 255,129 metric tons, decrease of 2% from the year 2016. Consequently, the cost of production of the processors is still be in high level since EMS (Early Mortality Syndrome) broke out and hit overall shrimp harvested supply since 2012. Even EMS is improved, the processors are highly required to develop its products from primarily processed shrimp to be more processed and value added to compensate higher cost of shrimp raw material.

Thailand's export of frozen and processed shrimp in 2017 amounts to Baht 68,544 million, an increase of 11% from the year 2016. Export value of processed shrimp products amounts to Baht 32,721 million, an increase of 28% from the year 2016, whereas export value of frozen shrimp amounts Baht 34,808 million, an increase of 2% from the year 2016.

USA is Thailand's largest export market accounted for 41% of Thailand's total frozen and processed shrimp export value. Other main markets are Japan accounted for 22%, Canada accounted for 5%, and European Union accounted for 4% respectively. Japan is largest export market of the group of company.

Overall shrimp business situation in the year 2018 is anticipated to be relatively stable from the year 2017. Thailand's total shrimp cultivation quantity should not significantly change from the year 2017. The group of company has continuously developed its shrimp-base products to be more value added in order to maintain stable margin within appropriated production capacity under risk of exchange rate fluctuation.

### Overall Situation of Frozen and Processed Chicken Business

Global broiler meat production quantity in the year 2017 amounts to 90 million metric tons, an increase of 1% from the year 2016. USA. is the world largest production amounts to 15.58 million metric tons, followed by Brazil amounts to 13.25 million metric tons, European Union amounts to 11.70 million metric tons, and China amounts to 11.60 million metric tons. Summation of production quantity from USA., Brazil, European Union, and China accounted for 61.20% of total global broiler meat production.

Major increase of global broiler meat production is from an expansion of export of USA and Brazil. Production of broiler meat mainly serves domestic consumption accounted for 97.74% of total global production where as the rest is for export purpose.

Thailand's broiler meat production amounts to 1.90 million metric tons or accounted for 2.11% of total global production. The production of broiler meat mainly serves domestic consumption whereas the rest is for export purpose. Main export items are processed chicken products.

The world's largest export country for broiler meat is Brazil amounts to 4.00 million metric tons or accounted for 36.10% of total global export quantity. Other major export countries are USA amounts to 3.09 million metric tons or accounted for 27.90%, followed by European Union amounts to 1.25 million metric tons or accounted for 11.28% and Thailand amounts to 0.77 million metric tons or accounted for 6.95% respectively.

Thailand's largest export markets for processed chicken products are Japan and European Union. Japan is the world's largest import country of broiler meat amounts to 0.99 million metric tons or accounted for 10.99% of total global broiler meat import. Japan is largest export market of the group of company. In the year 2018, the group of company plans to increase production quantity of processed chicken products.

Overall broiler meat business situation in the year 2018 is anticipated to be faced with risks of exchange rate fluctuation and pathogenic which might affect the performance directly and indirectly.

### Sources of information:

1. Thai Frozen Foods Association
2. Report of Industrial Economics, Ministry of Industry
3. Report of Livestock and Poultry : World Markets and Trade, U.S. Department of Agriculture

### Structure of Revenue

Categories of Products and Services	Company	2017		2016		2015	
		Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from Sale of Owned Products (Ready-to-Eat)	SSF	555,148	9.55	833,418	13.95	884,714	16.61
	SS	554,286	9.54	527,787	8.84	383,784	7.21
	SUNIF	3,923,110	67.50	3,879,190	64.95	3,306,203	62.07
Revenue from Sale of Owned Products (Ready-to-Cook)	SSF	164,452	2.83	198,253	3.32	212,559	3.99
	SS	52,999	0.91	54,008	0.90	32,816	0.62
Revenue from Sale of Trading Products	SSF, SOFINE	502,442	8.65	457,339	7.66	499,227	9.37
Revenue from Rendering of Logistics Services	MBL	51,499	0.89	8,184	0.14	-	-
Others		7,988	0.14	14,502	0.24	7,279	0.14
<b>Total</b>		<b>5,811,924</b>	<b>100.00</b>	<b>5,972,681</b>	<b>100.00</b>	<b>5,326,582</b>	<b>100.00</b>

Remarks : 1) Ready-to-Eat products such as Shumai, Bun, Hakao, Frozen Sushi, Frozen cooked shrimp, and etc.

2) Ready-to-Cook products such as frozen raw shrimp, Breaded seafoods and etc.

3) SSF = Surapon Foods PLC.

SS = Surat Seafoods Co., Ltd.

SOFINE = Surapon Finest Co., Ltd.

SUNIF = Surapon Nichirei Foods Co., Ltd.

MBL = Mobile Logistics Co., Ltd.

4) Surapon Nichirei Foods Co., Ltd. produce frozen and processed chicken products

5) Surat Seafoods Co., Ltd. produce frozen and processd shrimp products

6) The above figure is calculating for purposes of internal management and planning, not according to financial statement.

## Overall Business and Important Changes

Surapon Foods Public Company Limited was established in 1977 under the name of Surapon Seafoods Co., Ltd. The Company was the first frozen foods manufacturer listed in the Stock Exchange of Thailand. In the first stage, main products were frozen seafoods. In 1996, the Company has changed its name from Surapon Seafoods Public Co., Ltd. to Surapon Foods Public Co., Ltd. in order to reflect business diversification into both frozen seafoods and frozen non-seafoods products.

We are currently manufacturer and distributor of various frozen foods, which include frozen Ready to Cook products and Ready to Eat products. Our products are produced from various raw materials; seafoods materials and non-seafoods materials such as chicken, pork, and vegetables, and etc.

Our production processes have been internationally accredited by GMP, BRC, HACCP and etc. These international standards show high level of trustworthy in safety, quality, and traceability in our products together with Corporate Social Responsibilities awareness.

In addition, the Company has invested in other subsidiaries such as Surat Seafoods Co., Ltd., Surapon Nichirei Foods Co., Ltd., Surapon Supreme Foods Co., Ltd., Surapon Finest Co., Ltd., Surapon Aquaculture Co., Ltd., Chantaburi Marine Farm Co., Ltd., and Mobile Logistics Co., Ltd.

Board of Directors approves three years business objectives and targets during the year 2018-2020 as follows:-

1. Business objectives and targets
  - 1.1 Good and satisfied performance
  - 1.2 Development of competitiveness and adaptability to business changes
  - 1.3 Business operations with good ethics and concerning best benefits of stakeholders.
2. Vision : Inspiring your smiles.
3. Mission : To deliver vibrant experience.
4. Business operation shall focus on delivering good value to the stakeholders :-
  - 4.1 Financial value : Aim to develop long-term and sustainable business growth
  - 4.2 Non-financial value : Aim to deliver trustworthiness and satisfaction of our goods and services.
5. Corporate Value : Trustworthiness and Integrity.

Important changes in the Company's group in the year 2017 can be summarized as follows:

1. Renovation and construction of a factory in Prachinburi province under the operation of Surapon Supreme Foods Co., Ltd. is completed according to the set operation plan. The operations for commercial can start on December 2017. The operations of this factory shall be mainly chicken processed products.

2. Renovation in some areas of a factory of Surapon Foods PLC. in Samutprakarn province starts on February 2017. The objectives of this renovation is mainly to improve a deterioration of the facility, where has been operated for long term as well as to improve some production areas to serve new potential and more added value products in order to capture higher business opportunity in the future. Completion of the renovation shall be around mid of the year 2018.

3. Improvement and renovation of a factory in Suratthani province under Surat Seafoods Co., Ltd. is completed in April 2018. The operations of this factory shall be shrimp-based processed products.

4. Business operation of sales in domestic and neighbouring countries markets changes the operation from under Surapon Foods PLC. to new subsidiary company; named Surapon Finest Co., Ltd. Surapon Finest Co., Ltd. starts its commercial operation in July 2017. Surapon Finest Co., Ltd. will responsible for being sole agent in sales of goods in domestic and neighbouring countries markets on behalf of the Company's group. Business activities of Surapon Finest Co., Ltd. shall also cover sourcing of trading products from all over the world to sell and distribute in domestic and neighbouring countries markets.

5. Disposal of investment in Independent Consultant Co., Ltd. in December 2017. After this transaction, the Company's shareholding proportion in Independent Consultant Co., Ltd. decreases from 20% to 10% of total shares.



## Risk Factor

Surapon Foods Public Company Limited realizes an importance of the impact by significant business risks. Those affect or might affect the achievement of its business operation. Consequently, the Group of company has implemented and managed risk management measures as follows:-

### 1. Risk from Fluctuation of Foreign Exchange

Since the Group's revenue is mainly the export sales, fluctuation of foreign exchange inevitably affect the Group's performance. In 2017, Japanese Yen currency is depreciated continuously, impact to the export sale to Japan market which is the Group's main export market.

#### *Risk Management*

The Group has closely monitored and analyzed the exchange rate situation. To prevent and mitigate this risk, the Group has implemented financial instruments such as FX option and forward contract. The Group also diversifies the export sales to several currencies which have more stabilized in each duration by considering the appropriateness of each customer or each country. However, the Group does not have the policy to speculate the exchange rate.

### 2. Risk from Trade Laws and Quality Control Regulations

Since the Group's revenue is mainly the export sales, an implementation of new trade regulations, new requirements of product quality, stricter level of product inspection/audit as well as food safety problem in some competitor countries might affect the Group's business operation if the Group cannot comply with the partner's requirements.

#### *Risk management*

The Group has set up working teams to monitor and analyze the impact and define suitable actions to deal with the risks. In addition, to ensure that all steps of business operation have been strictly controlled and managed, the Group has implemented international quality standards such as GMP, HACCP, ISO 22000, BRC and ISO 17025.

### 3. Risk from disease outbreak and natural disaster

In 2017, environment and weather in Thailand and around the world are always changed without anticipation; heavy rain and high possibility of disease outbreaks in human and also the raw material that can be affected the production.

#### *Risk management*

The Group has set up practical procedures and corrective action plans to deal with the occurrence of disease outbreak and natural disaster. The Group set up the procedures to follow up the updated situation, to assess seriousness of the situation, and to implement business recovery plan. The Group also develops the employee's capability to rehearse, to apply, and to implement the business recovery plan under crisis situation. In addition, the Group regularly reviews appropriateness of the plan to be proper with any changing situation.



# Structure of Shareholding and Management

## Structure of Shareholding

Common Stock = 269,999,000 shares (Par value = 1 Baht)

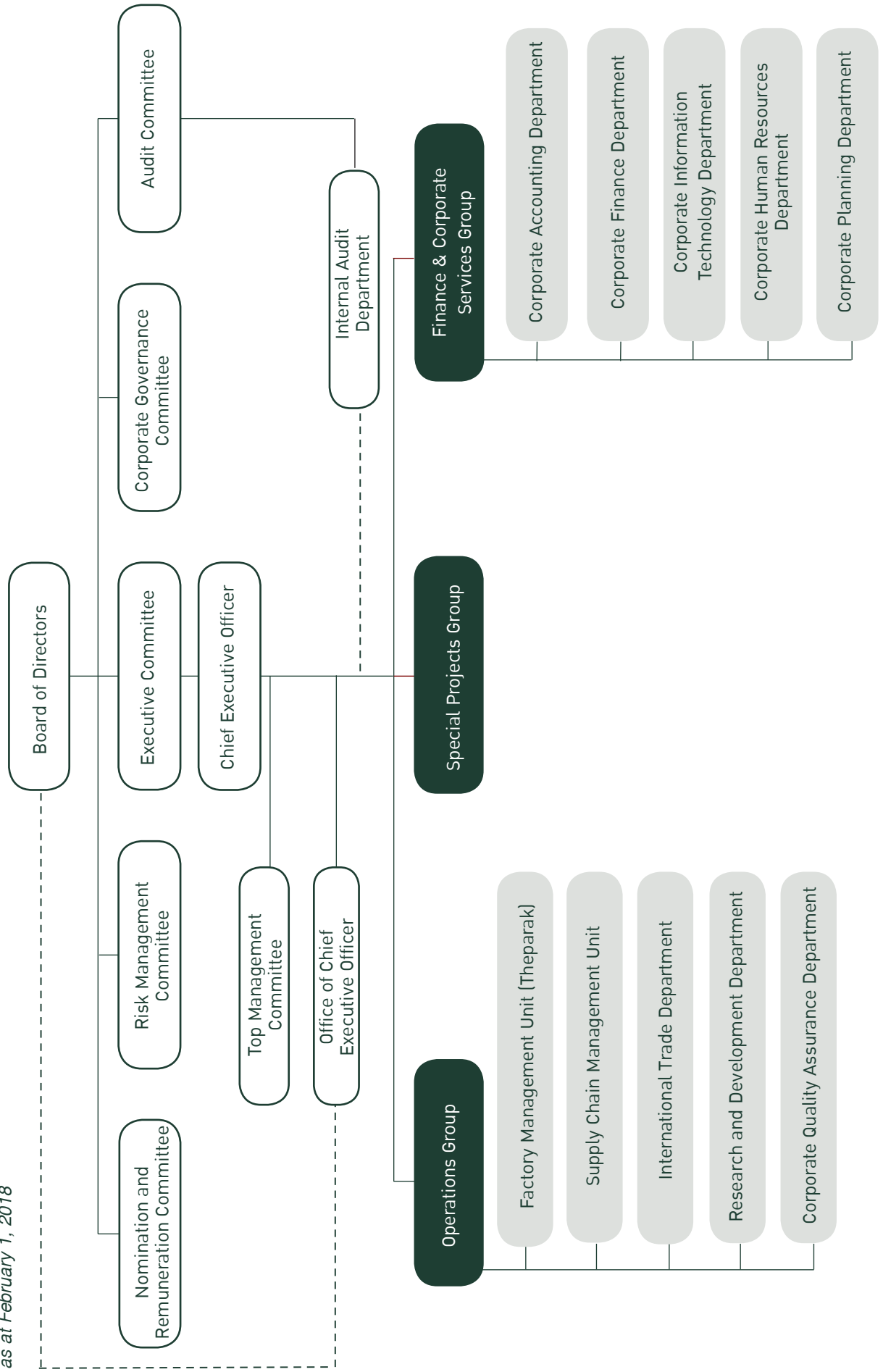
Name of Shareholders	Amount of Shareholding	Proportion (%)
1. Vongvadhanaroj Family	118,840,850	44.02%
- Pokai Holdings Co., Ltd.	80,999,700	30.00%
- Mr.Surapon Vongvadhanaroj	13,980,000	5.18%
- Mrs.Sukanya Vongvadhanaroj	7,197,000	2.67%
- Mr.Sorapon Vongvadhanaroj	7,088,650	2.63%
- Mr.Sorapoom Vongvadhanaroj	6,855,500	2.54%
- Miss Soranee Vongvadhanaroj	1,360,000	0.50%
- Mrs.Soraya Sorakraikitikul	1,360,000	0.50%
2. Kraisithsirin Family	35,586,000	13.18%
- Mr.Sithichai Kraisithsirin	14,436,000	5.35%
- Miss Sanravee Kraisithsirin	7,150,000	2.65%
- Miss Sarin Kraisithsirin	7,000,000	2.59%
- Miss Silawan Kraisithsirin	7,000,000	2.59%
3. Jiengwareewong Family	34,235,090	12.68%
- Mr.Chokchai Jiengwareewong	9,235,090	3.42%
- Mrs.Janthip Jiengwareewong	9,000,000	3.33%
- Mrs.Supissara Pechvorakul	8,000,000	2.96%
- Miss Pusanisa Jiengwareewong	8,000,000	2.96%
4. Mr.Aryuth Chansestikul	13,890,600	5.14%
5. Mr.Thanathip Pichetvanichchok	7,651,200	2.83%
6. Thai NVDR Co., Ltd.	6,583,650	2.44%
7. Miss Woraran Taepaisithpong	5,000,000	1.85%
7. Credit Suisse AG, Singapore Branch	5,000,000	1.85%
9. Miss Orapun Asamongkol	3,255,100	1.21%
10. Mr. Cheung Lawrence Lup-Kwan	1,896,000	0.70%

Source: Thailand Securities Depository Co., Ltd. (Information as of February 5, 2018)



## Structure of Management

as at February 1, 2018





# Structure of Board of Directors

The Board of Directors assigns 5 Sub-committees for specific matters. The Sub-committees comprise of Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee, Risk Management Committee, and Executive Committee.

## 1. Board of Directors

The Board has responsibilities to supervise the Company's operation to meet the Company's target and the Company's best benefit in accordance with good corporate governance principle and policy.

As of December 31, 2017, Board of Directors consists of the following persons:

Name - Surname		Position	No. of the meeting attended in 2017
1. Mr.Kosol	Chantikul	Chairman and Independent Director	7/7
2. Mr.Pisnu	Rienmahasarn	Independent Director	7/7
3. Mr.Sathaporn	Kotheeranurak	Independent Director	7/7
4. Mr.Putaporn	Ninwarangkoon	Independent Director	7/7
5. Mr.Surapon	Vongvadhanaroj	Director	7/7
6. Mr.Sithichai	Kraisithisirin	Director	7/7
7. Mr.Chokchai	Jiengwareewong	Director	7/7
8. Mr.Pai boon	Kangvonkit	Director	7/7
9. Miss Malai	Wongwatroj	Director	7/7
10. Mr.Sorapon	Vongvadhanaroj	Director	7/7
11. Mrs.Boonperm	Jiamtiranat <sup>1/</sup>	Independent Director	1/1

Thereby, Mr. Patt Somchaikulsup carries out duties as Secretary of Board of Directors

**Remark :** <sup>1/</sup> Mrs. Boonperm Jiamteeranat retired by rotation and not be reappointed according to the Annual General Meeting of Shareholders dated April 20, 2017.

Chairman of the Board will serve as chairman of the Board of Directors meeting and Shareholders' meeting. Chairman of the Board will be responsible for promoting and supporting participation of the directors in the board meeting as well as follow up and monitor performances of the board and sub committees in order to make sure that the performances will be achieved according to the set objectives. Chairman of the Board will conduct the board meeting to be efficient, effective, in compliance with the regulations. Chairman of the Board will not involve in routine operation.

## 2. Audit Committee

Audit Committee's responsibilities are to review the Company's operations to be in compliance with the Company's policy, laws, and regulations. In addition, Audit Committee is responsible for reviewing the Company's internal control system, internal audit system, and the risk management system that they are appropriate and efficient. Audit Committee also considers the appointment or disposal of Internal Audit head.

As of December 31, 2017, Audit Committee consists of three Independent Directors as follow:

Name - Surname		Position	No. of the meeting attended in 2017
1. Mr.Sathaporn	Kotheeranurak	Chairman	8/8
2. Mr.Pisnu	Rianmahasarn	Director	8/8
3. Mr.Putaporn	Ninwarangkoon <sup>1/</sup>	Director	7/7
4. Mrs.Boonperm	Jiamtiranat <sup>1/</sup>	Director	1/1

Thereby, Mr. Wichian Roruksa carries out duties as Secretary of Audit Committee

Remarks: <sup>1/</sup> Mr.Putaporn Ninwarangkoon is appointed to be audit committee in replacement of Mrs.Boonperm Jiamteerarat according to the resolution of Board of Directors' meeting dated May 11, 2017

<sup>2/</sup> No.1 and 3 have adequate expertise and experience to review creditability of financial report.

Summary of Audit Committee's performance for the year 2017 can be summarized as follows:-

1. Review financial statements as well as consider the accounting policy and the changes in accounting policy
2. Review internal audit system as well as give the opinion of entering into related transaction and conflict of interest transaction
3. Review risk management system as well as audit the operations to be in compliance with regulations and consider whistle-blowing matter
4. Review internal audit and audit control policy as well as audit committee charter
5. Consider the proposals of the Company's auditor appointment as well as audit fee.

### 3. Corporate Governance Committee

Corporate Governance Committee is responsible for monitoring an implementation in compliance with Corporate Governance Policy.

As of December 31, 2017, Corporate Governance Committee consists of the following persons:

Name - Surname		Position	No. of the meeting attended in 2017
1. Mr.Pisnu	Rianmahasarn	Chairman	3/3
2. Mr.Sorapon	Vongvadhanaroj	Director	3/3
3. Mr. Patt	Somchaikulsup	Director	3/3

Thereby, Miss Kamonchanok Bungool carries out duties as Secretary of Corporate Governance Committee

Summary of Corporate Governance Committee's performance for the year 2017 can be summarized as follows:-

1. Review corporate governance policy, anti-corruption policy, and corporate committee charter
2. Consider the proposals of corporate governance development in the Company and its subsidiaries
3. Monitor and give advises to the management to develop corporate governance and anti-corruption activities in the Company and its subsidiaries
4. Monitor the laws and regulations concerning directors and executives' duties, corporate governance, and anti-corruption.

#### 4. Nomination and Remuneration Committee

Nomination and Remuneration Committee is responsible for recruitment and selection of qualified candidate to be appointed as Director, Sub-committee, and Chief Executive Officer. The Committee's responsibility is also to propose the remuneration of the Directors and Chief Executive Officer.

As of December 31, 2017, Nomination and Remuneration Committee consists of the following persons:

Name - Surname		Position	No. of the meeting attended in 2017
1. Mr.Chokchai	Jiengwareewong	Chairman	4/4
2. Mr.Surapon	Vongvadhanaroj	Director	4/4
3. Mr.Putaporn	Ninwarangkoon	Director	4/4

Thereby, Mr. Patt Somchaikulsup carries out duties as Secretary of Nomination and Remuneration Committee

Summary of Nomination and Remuneration Committee's performance for the year 2017 can be summarized as follows:-

1. Consider the proposals of nominating the directors in replacement of the directors retired by rotation as well as the directors' remuneration
2. Review nomination and remuneration policy as well as nomination and remuneration committee charter
3. Consider CEO's remuneration.

#### 5. Risk Management Committee

Risk Management Committee is responsible for setting and reviewing the effective and efficient risk management system.

As of December 31, 2017, Risk Management Committee consists of the following persons:

Name - Surname		Position	No. of the meeting attended in 2017
1. Mr.Chokchai	Jiengwareewong	Advisor	4/4
2. Mr.Paiboon	Kangvonkit	Chairman	4/4
3. Miss Malai	Wongwatroj	Director	3/4
4. Mr.Sorapon	Vongvadhanaroj	Director	4/4
5. Miss Soranee	Vongvadhanaroj	Director	3/4
6. Mr. Supakorn	Ruangsri	Director	4/4
7. Mr. Thomas	Ung	Director	4/4
8. Mr. Sorapoom	Vongvadhanaroj <sup>1/</sup>	Director	1/2
9. Mrs. Soraya	Sorakraikitikul <sup>1/</sup>	Director	2/2
10. Mr. Jittakorn	Chairach <sup>1/</sup>	Director	1/2
11. Mr. Montai	Chulatitta <sup>1/</sup>	Director	2/2
12. Mr. Patt	Somchaikulsup <sup>1/</sup>	Director	2/2
13. Mr. Theerawat	Katanyukul <sup>2/</sup>	Director	1/1
14. Mr. Sriprasert	Sriprawatkul <sup>2/</sup>	Director	1/1

Thereby, Mrs. Ajaree Phaireepairit carries out duties as Secretary of Risk Management Committee

Remarks : <sup>1/</sup> To be appointed according to the resolution of Board of Directors' meeting dated May 11, 2017

<sup>2/</sup> To be appointed according to the resolution of Board of Directors' meeting dated September 11, 2017

Summary of Risk Management Committee's performance for the year 2017 can be summarized as follows:-

1. Review risk management policy as well as risk management manual and risk management committee charter
2. Monitor the risk factors and define the suitable management tools to control the risks into acceptable level
3. Support the trainings of risk management in the Company and its subsidiaries
4. Monitor the business laws and regulations which can impact the business operation as well as monitor of the operations to be in compliance with the regulations.

## 6. Executive Committee

Executive Committee is responsible for supervising the Company's operations to achieve the Company's vision, target, and policy. The Committee shall approve the policy, the internal procedure, and the guideline to help support the operations management effectively.

As of December 31, 2017, Executive Committee consists of the following persons:

Name - Surname		Position	No. of the meeting attended in 2017
1. Mr. Surapon	Vongvadhanaroj	Chairman	7/7
2. Mr. Sorapon	Vongvadhanaroj	Vice Chairman	7/7
3. Mr. Paiboon	Kangvonkit	Director	7/7
4. Miss Soranee	Vongvadhanaroj	Director	5/7
5. Mrs. Soraya	Sorakraikitikul	Director	7/7
6. Mr. Sorapoom	Vongvadhanaroj	Director	6/7
7. Mr. Montai	Chulatitta	Director	7/7
8. Mr. Jittakorn	Chairach <sup>1/</sup>	Director	2/3
9. Mr. Theerawat	Katanyukul <sup>2/</sup>	Director	3/3
10. Mr. Patt	Somchaikulsup	Director and Secretary	7/7

Remarks : <sup>1/</sup> To be appointed according to the resolution of Board of Directors' meeting dated May 11, 2017

<sup>2/</sup> To be appointed according to the resolution of Board of Directors' meeting dated September 11, 2017

## Details of Directors and Authorized Persons

(Information as of January 31, 2018)

Name of Authorized Director	Surapon Foods	Surat Seafoods	Surapon Nichirei Foods	Surapon Supreme Foods	Surapon Finest	Surapon Aquaculture	Chantaburi Marine Farm	Mobile Logistics
Mr. Kosol Chantikul	///							
Mr. Surapon Vongvadhanaroj	/, //	/, //	/, //, ///			/, //	/, //	/, //, ///
Mr. Sithichai Kraisithisirin	/, //	/, //	/, //			/, //	/, //	
Mr. Chokchai Jiengwareewong	/, //	/, //				/, //	/, //	
Mr. Pisnu Rianmahasarn	/							
Mr. Sathaporn Kotheeranurak	/							
Miss Malai Wongwatroj	/, //	/, //						
Mr. Paiboon Kangvonkit	/		/, //, X					
Mr. Sorapon Vongvadhanaroj	/, //, X	/, //, ///	/, //	/, //, ///	/, //, ///	/, //	/, //	/, //
Mr. Putaporn Ninwarangkoon	/							
Mr. Chatuporn Watcharanat		/, //					/, //	
Mr. Supakorn Ruangsri		/, //						
Mr. Jittakorn Chairach		/, //, X						
Miss Soranee Vongvadhanaroj					/, //, X			/, //
Mrs. Soraya Sorakraikitikul						/, //	/, //	/, //, X
Mr. Montai Chulatitta				/, //		/, //		/, //
Mr. Sorapoom Vongvadhanaroj				/, //, X				
Miss Yardphon Comnugnath				/, //				
Mr. Kittikorn Chongchere				/, //				
Mr. Theerawat Katanyukul				/, //				
Mr. Bundit Rungratkul					/, //			
Mr. Auhtaphon Ratana-Arporn					/, //			
Miss Yupha Fuangraya					/, //			

Note: / = Board of Directors X = Chief Executive Officer, Managing Director  
 // = Authorized Director /// = Chairman of the Board of Directors

## Remuneration of Directors and Executives

**1. Directors' Remuneration** The Annual General Meeting of Shareholders No.40/2017 had passed the resolution to approve the Directors' remuneration for the year 2017 totally not exceed than Baht 6,040,000. The actual amount of payment is Bath 5,479,784.88

Name of Directors	Board of Directors		Audit Committee		Corporate Governance	Nomination	Total (Baht)
	Retaining Fee	Meeting Allowance	Retaining Fee	Meeting Allowance	Meeting Allowance	Meeting Allowance	
1 Mr.Kosol Chantikul	960,000.00	140,000.00	-	-	-	-	1,100,000.00
2 Mr.Pisnu Rienmahasarn	300,000.00	105,000.00	120,000.00	40,000.00	15,000.00	-	580,000.00
3 Mr.Sathaporn Kotheeranurak	300,000.00	105,000.00	180,000.00	80,000.00	-	-	665,000.00
4 Mr.Paiboon Kangvonkit	300,000.00	105,000.00	-	-	-	-	405,000.00
5 Mrs.Boonperm Jiamteeranat <sup>1/</sup>	91,666.67	15,000.00	36,666.60	5,000.00	10,000.00	-	158,333.27
6 Mr.Putaporn Ninwarangkoon	300,000.00	105,000.00	76,451.61	30,000.00	-	10,000.00	521,451.61
7 Miss Malai Wongwatroj	300,000.00	90,000.00	-	-	-	-	390,000.00
8 Mr.Sorapon Vongvadhanaroj	300,000.00	105,000.00	-	-	10,000.00	-	415,000.00
9 Mr.Chokchai Jiengwareewong	300,000.00	105,000.00	-	-	-	20,000.00	425,000.00
10 Mr.Sithichai Kraisithisirin	300,000.00	105,000.00	-	-	-	-	405,000.00
11 Mr.Surapon Vongvadhanaroj	300,000.00	105,000.00	-	-	-	10,000.00	415,000.00
<b>Total</b>	<b>3,751,666.67</b>	<b>1,085,000.00</b>	<b>413,118.21</b>	<b>155,000.00</b>	<b>35,000.00</b>	<b>40,000.00</b>	<b>5,479,784.88</b>

**Remark :** <sup>1/</sup> Mrs.Boonperm Jiamteeranat retired by rotation on April 20, 2017

### 2. Executives' Remuneration

Remuneration	2017		2016	
	No. of persons	Baht	No. of persons	Baht
Salary	5	16,640,000	6	35,700,000
Bonus	5	1,626,700	5	2,785,000
Other remunerations	5	300,818	6	374,101
<b>Total</b>	<b>5</b>	<b>18,567,518</b>	<b>6</b>	<b>38,859,101</b>

### 3. Directors' Retaining Fee and Meeting Allowance

Directors	2016 - 2017
<b>Retaining Fee</b>	
■ Chairman of the Board	80,000 Baht
■ Directors	25,000 Baht
<b>Meeting Allowance</b>	
■ Chairman of the Board	20,000 Baht
■ Directors	15,000 Baht

### 4. The Sub-committees' Remunerations from the year 2007-2017

Sub-committees	Position	Retaining Fee	Meeting Allowance
Audit Committee	Chairman	15,000 Baht per month	10,000 Baht
	Directors	10,000 Baht per month	5,000 Baht
Corporate Governance Committee and Nomination Remuneration Committee	Chairman	-	10,000 Baht
	Directors	-	5,000 Baht
Executive Committee	Everyone	-	-
Risk Management Committee	Everyone	-	-





## Corporate Governance

Surapon Foods Public Company Limited has always put a strong emphasis on the good corporate governance to take care of all stakeholders' interest. The implementations according to Corporate Governance Code for listed companies in the year 2017 can be summarized as followings:

### 1. Establish Clear Leadership Role and Responsibilities of the Board

1.1 The Board aware of its leadership role to oversee good governance in the organization as well as contribute in consideration and approval of the Company's business objectives, target, and strategies. At the Board's meeting dated December 15, 2017, the Board take part in consider and give advices on the Company's three-years business objectives, target, vison, mission, and strategies.

1.2 The Board considers and approves the Company's Corporate Governance policy, Anti-Corruption policy, Code of Ethics, and the Board's charter which identifies all sub-committees roles and responsibilities. The Board will annually review the appropriateness of the policies as well as supervises the Management to communicate and implements according to the policies applicable to all staffs.

1.3 The Board regularly monitors new laws and regulations concerning the Board's duties and responsibilities in compliance with fiduciary's duties as well as the issues that significantly affect the Company's performance. The Board promotes the directors and executives in the Company and its subsidiaries to perform duties with care, loyalty, and comply with all business laws and regulations.

1.4 The Board ensures that code of ethics manual will be made in written to be the clear guideline of implementations for all staffs. Communicating, monitoring the implementations, and training will be regularly done. The Board also ensure that code of ethics manual will be regularly reviewed the appropriateness. Since good corporate governance is set as the Company's high priority policy, ethics and good corporate governance will set as one of the criteria of performance evaluation for all executives and staffs.

1.5 The Board establishes the specific five sub-committees with clear responsibility for specific matters in order to support the Board duties Five sub-committees are comprised of Audit Committee, Nomination and Remuneration Committee, Corporate Governance Committee, Risk Management Committee, and Executive committee.

1.6 The Board demonstrates a thorough understanding of the division of responsibilities and segregation of authority between the Board and the Management. The Board clearly defines the written power of authority by concerning check and balance controls.

### 2. Define Objectives that Promote Sustainable Value Creation

2.1 The Board supervises and ensures that the Company has clearly defined the business objectives and targets both in short term and long term periods. The Board takes part in consideration and approval of the business objectives, financial and non-financial targets, strategies and important action plans by concerning the possible changes in business environment context, risk factors, stakeholders' expectations, adequacy of internal resources, and the best benefits of the Company. The Company establishes business objectives; namely 1) Good and satisfied performance 2) Development of competitiveness and adaptability to business changes and 3) Business operation with good ethics and best benefits to concerned stakeholders.

2.2 The Board gives it top prioritized duty to monitor and evaluate the Company's performance to ensure the achievement of business targets. In case of emergency, the Board will ensure that the Management has been ready to handle with the crisis and ensure that suitable corrective plans will be worked promptly.

2.3 The Board promotes the clear establishment of corporate culture and corporate value in reflection of good corporate governance. In addition, the Board also monitors and promotes their communications applicable to all executives and staffs in order to push the operations in same direction and goal.

2.4 The Board puts its priority to develop the Company's competitiveness and long-term business performance by promoting innovation and technology development strategies in order to well respond to business's needs.

### 3. Strengthen Board Effectiveness

3.1 The Board ensures that number of the Company's directors is suitable and adequate to perform the business operation. Directors consist of totaling 10 persons, 3 persons are Executive Directors, 3 persons are non-Executive Directors, and 4 persons are Independent Directors. The number of Independent Director is in accordance with SEC regulations and can give opinions independently.

3.2 The Company's definition of Independent Directors is the person who holds the Company's share not more than 1%. Independent Director must also comply with the qualifications of Independent Director as specified in the regulations of relevant regulatory organizations. Currently, none of Independent Director holds any share of the Company and also has no any related business transactions or provides any services to the Company, subsidiaries, major shareholders or controlling person. Moreover there is no Independent Director or the Management been the employee or been the partner of the Company's auditor.

3.3 In nominating director process, the Board will consider the suitable person by concerning necessary qualifications, skills, experiences, and knowledge to achieve the Company's objectives and targets. The Company requires at least one of non-executive directors should be experienced in the Company's main business. Composition and profile of all directors are disclosed through annual report and/or website.

3.4 Nominating the director nomination will be considered by the Nomination and Remuneration Committee prior to propose to Board of Directors or Shareholders for consideration. The consideration will follow the Nomination of Director Policy which publicizes through the Company's website. The Board will regular review the policy.

3.5 Consideration of appointing Independent Director who has posted in the position more than 9 years, the Board will consider the necessary and appropriateness of the appointment with very care by concerning the best benefits of the Company as well as their contributions to development of good corporate governance.

3.6 Term of the Board, according to the Company's Articles of Association, at every AGM, one-thirds of the Directors shall retire by rotation. If the member of directors is not a multiple of three then the number nearest to one-third shall retire. Whenever the director is retired by rotation, the director might be re-appointed. The Sub-Committee has two years term in the office from either the appointed date or the Board's resolution which can be re-appointed after the term in the office is completed.

3.7. Chairman of the Board and Chief Executive Officer, two positions must be held by different individuals. Segregations of authority and duty between Chairman of the Board and Chief Executive Officer are clearly defined in order to ensure check and balance of power.

3.8 Chairman of the Board will serve as Chairman of the Board meeting. The Chairman's duties cover promote the directors perform their fiduciary duties, promote the directors' contributions and participations, allocate sufficient meeting time for important matters as well as promote constructive relations between the Board and the Management.

3.9 The Board has established 5 sub-committees with responsibility for specific matters in order to support the Board duties. In 2017, Audit Committee held the meeting 8 times, Nomination and Remuneration Committee 4 times, Corporate Governance Committee 3 times, Risk Management Committee 4 times, and Executive committee 7 times. The performance report from all sub-committees will submit to the Board meeting for consideration.

3.10 The Board assigns Nomination and Remuneration Committee to consider directors' remuneration and submit to the Board and AGM for approval. Consideration of directors' remuneration will concern duty and responsibility, the Company's business targets, and contributions from directors. The directors' remuneration should be in suitable level to maintain and attract the competent directors. Directors' remuneration policy shall be disclosure through annual report and website.

3.11 The Board put its prioritized duty to develop the directors' competency and ensure that there will be adequate and suitable mechanism to support new director to realize and understand directorship roles and responsibilities. The Company will provide necessary information to directors such as business objective, targets, vision, mission, updates of business and risk factors, updates of important laws and regulations through directors' orientation, directors' manual, and discussion in the Board's meeting. The Board also promotes directors to participate in directorship training program, organized by IOD and/or relevant regulatory organizations. In 2017, the directors attended the trainings/seminars as follows:-

1) Mr. Sorapon Vongvadhanaroj participated in IOD Luncheon Briefing 1/2017 : Corporate Governance in Germany, organized by IOD on January 20, 2017 and participated in seminar of role of directors in listed company : cyber security risk, organized by SEC on May 31, 2017

2) Mr. Paiboon Kangvonkit participated in seminar of role of directors in listed company : cyber security risk, organized by SEC on May 31, 2017 and participated in workshop seminar of board practices in preventing cyber security, organized by SEC on December 15, 2017

3.12 The Board defines policy on being directors and executives in other Companies. The Company will consider by concerning number of directors position in other companies, nature and type of business, and effectiveness of directors who hold multiple board seats, and etc. The Board requires that directors shall not inaugurate in other listed companies more than 5 companies except that person hold strongly knowledge, experiences, and competent which the Board sees it is of the Company's benefits.

3.13 The Board establishes adequate system and mechanism to ensure that no usage of internal information as well as unfair conflict of interest transaction and related transaction which are not complied with the regulations.

3.14 The Company has carefully managed conflict of interest and related transactions. The decision of transactions will be considered with care, fair, according to general business term as well as in compliance with the Company's conflict of interest policy and regulations. In case of significant transaction, Audit Committee will consider and give their opinion for the Board's consideration. The Directors and executives will have to inform their possible conflict of interest and related persons to the Company. In 2017, there is not entering into conflict of interest and related transactions which are not complied with the regulations. In addition, there is no financial support to non-subsidiary companies. The Company discloses policy of conflict of interest through website.

3.15 The Board establishes policy of information usage Control to prevent the use of internal information for private interest. The Company communicates the policy to directors, executives, and staffs. The policy is disclosed through website. In 2017, there is no case of usage of non-disclosed internal information for private interest. Furthermore, Directors and Executives have to disclose their stock trading transaction in the Board meeting. All Executives and employees who involve with the Company's important information must sign in the confidentiality agreements.

3.16 The Board defines policy of supervising and controlling subsidiaries to ensure that business operation in subsidiaries shall be performed according to the Company's best benefits. The policy covers criteria of appointing directors in subsidiaries, duty of the Company's representatives in subsidiaries, voting in the Board's meeting and the shareholders' meeting, significant matters to be approved by the Company prior to the decision, establishment of internal control and risk management in subsidiaries, and important matters must be made in compliance with the regulations.

3.17 The Board conducts annual performance evaluation both whole group and individual. The Company applies the guidelines proposed by SET for whole group evaluation. The whole group assessment criteria comprising of 60 criterias, divided into 6 categories: 1) Structure and Qualification of the Board 2) Duty and responsibility of the Board 3) Board meeting 4) Directors' fiduciary 5) Relationship with the Management and 6) Development of the Board and the Management. The result of the whole group performance evaluation is 92.85 with very good level. Individual performance evaluation employed 10 criterias, divide into 3 categories: 1) Directors' fiduciary 2) Board's meeting and 3) Independence of the Director. The result of individual performance evaluation is 89.60. There will be the discussion of the evaluation results to improve the Directors' performance as well as bring its results to consider nominating directors and suitable composition of ditrectors.

3.18 The sub-committees are also had an annual performance evaluation in order to improve the performance. For the evaluation of CEO performance will be evaluated by the evaluation committee appointed by the Board of Directors. The criterias of CEO evaluation covers performance results, growth of business, management effectiveness, and management potential.

3.19 The Board in advance schedules of the Board meeting. In 2017 there are 7 times Board of Directors meetings where all directors attended the meeting regularly more than 80% of total times of the meeting. Quorum of the Board meeting must not less than two-third of total Board members. The Company Secretary will send the agenda and meeting documents to directors 7 days prior to the meeting date and submit minutes of the meeting to the Board for consideration within 7 days after meeting date. Evaluation of the meeting has been done in every meeting which follows the criteria of IOD. Average score of the Board meeting evaluation in 2017 is 94.96.

3.20 Non-executive directors meeting without the management is held on December 15, 2017 to discuss their concerns. The report of meeting is reported to the Board meeting and CEO.

3.21 Chairman of the Board, CEO, and Company Secretary will together discuss to set the Board's meeting agenda. In addition, independent directors and the management can propose the agenda by informing through the Chairman or Company Secretary.

3.22 The Board encourages CEO to invite key executives to attend the Board's meeting to present details on the agenda related matters that they are directly responsible for, and allow the Board to gain familiarity with key executives and assist succession planning.

3.23 The Board regularly monitors the Company's performance through reporting from the management in the Board's meeting together with the management's monthly report sent to directors so that the Board can follow up and monitor the performance continuously and promptly.

3.24 The Board can access to accurate, relevant, timely and clear information required for their respective roles from CEO or Company Secretary.

3.25 The Board appoints Mr. Patt Somchaikulsup as Company Secretary. The Board views that he possess necessary qualifications, knowledge, and skills required for Company Secretary's duties and responsibilities. He possesses certificates of company secretary training programs. The Board defines its required qualifications for this position to facilitate performing directors' duties. The Board also encourages Company Secretary to enroll the training program continuously. Profile and roles and responsibilities of Company Secretary is disclosed through annual report and form 56-1.

#### 4. Ensure Effective CEO and People Management

4.1 The Board assigns Nomination and Remuneration Committee to establish criterias and procedures of nominating and selecting CEO as well as CEO succession planning. The Board also assigns Nomination and Remuneration Committee together work with CEO to establish criterias and procedures of nominating and selecting key executives. Whereas, CEO will regularly report progress of implementation of succession planning to the Board or the committee assigned by the Board.

4.2 The Board encourages and promotes CEO and key executives of the Company and subsidiaries to enroll training programs to develop knowledges and experiences which can be helpful for performing their duties.

4.3 The Board establishes policy of key executive's being directors and executives in other companies. Posting in directors' position in other companies will have to comply with the laws and regulations and must be approved by CEO prior to the appointment. Consideration of being directors in other companies will concern related factors such as permissible number of companies, types of business, duty effectiveness, and etc.

4.4 The Board meeting dated August 9, 2017 considers and approves employee's remuneration structure and criterias of performance evaluation. Remuneration structure shall be suitable and compiled with business objectives, targets, and performance both short-term and long-term periods. The Board assigns CEO to consider and approve details of performance indicators.

4.5 The Board defines and approves criterias and procedures of CEO performance evaluation and CEO remuneration. The CEO evaluation and remuneration shall be done annually by the specific committee, appointed by the Board. Whereas, the performance evaluation of key executives shall be done annually by CEO.

4.6 The Board considers its responsibilities in the context of the Company's shareholders structure relationship, which may impact the management and operation of the Company. The Board supervise disclosure of significant information affected the business controlling.

4.7 The Board ensures that the Company is properly staffed, and that human resources management aligns with the business objectives and targets. The Board also ensures that good and fair practices on employee are in place.

## 5. Nurture Innovation and Responsible Business

5.1 The Board prioritizes and promotes corporate culture and innovation development that create value for the Company and contributes to an achievement of business objectives and targets. Development of innovation shall focus on a development of business operation in order to respond mutual benefits of the Company and stakeholders which will be based on shared creating value principle and long-term sustainable business growth.

5.2 The Board ensures that the Company establishes adequate mechanism to monitor and review business operation can meet the changes in business context by concerning business ethical conduct.

5.3 The Board approves policy of anti-corruption. The policy and its details procedures which are disclosed through website are as follows:-

- 1) Anti-Corruption Policy
- 2) Political Contribution Policy
- 3) Charity and Sponsorship Policy
- 4) Human Resource Management Policy to support anti-corruption
- 5) Whistle Blowing Policy which include the contact channel and countermeasure controls

5.4 The Board approves policy of corporate social responsibility. The policy and its details procedures which are disclosed through website are as follows:-

- 1) Policy and Guidelines of implementation on safety and sanitation in workplace
- 2) Policy and Guidelines of implementation on employee's remuneration and welfare.
- 3) Policy and Guidelines of implementation on employees' knowledge development.
- 4) Policy and Guidelines of implementation on human rights
- 5) Policy and Guidelines of implementation on customers
- 6) Policy and Guidelines of implementation on competitors
- 7) Policy and Guidelines of implementation on partners
- 8) Policy and Guidelines of implementation on creditors
- 9) Policy and Guidelines of implementation on intellectual property and copyright
- 10) Policy and Guidelines of implementation on anti-corruption and bribery
- 11) Policy and Guidelines of implementation on contribution to social and community
- 12) Policy and Guidelines of implementation on effective resources usage and environmental management

5.5 The Company is certified member of CAC (Thailand' Private Sector Collective Action Coalition Against Corruption) since January 2015. The Company continues anti-corruption building awareness and activities in the Company and subsidiaries.

5.6 The Company provides annual report of implementation on corporate social responsibility which is disclosed through website.

5.7 The Board ensures that policy on IT system management is established in order to ensure IT resources are suitably allocated to support business needs as well as monitor and manage IT risks. The Board assigns risk management committee and risk management department to follow up and monitor the operation to be in compliance with the policy and regulations.

## 6. Strengthen Effective Risk Management and Internal Control

6.1 The Board aware of and understand important corporate risk factors. The Board assigns risk management committee and risk management department to follow up and monitor the management of significant risk factors that might affect an achievement of business targets. Risk management committee shall regularly submit an implementation report to the Board for consideration.

6.2 The Board considers and approves risk management policy. The Board shall also regularly review and effectiveness and efficiency of risk management system. The policy is disclosed through website.

6.3 The Board assigns risk management committee to establish risk management manual which is in compliance with COSO standard (The Committee of Sponsoring Organizations of the Treadway Commission). The manual is to be the clear guideline of risk management in the Company and subsidiaries. Identification of significant risk factors that might affect the business operation shall be considered both internal and external factors; strategic risks, financial risks, operational risks, compliance risks, event and disaster risks, and corruption risk.

6.4 The Board considers and approves policy of internal audit and internal control which is in compliance with professional internal audit standard. The policy is to be the clear guideline for implementing in the Company and subsidiaries. The policy is disclosed through website.

6.5 The Board appoints audit committee comprised of three independent directors. All members are fully qualified according to qualifications as specified in the applicable legal requirements. Two members have adequate experience to review creditability of financial reports. The Board defines its clear roles and responsibilities as written specified in audit committee charter. In addition, audit committee also review adequacy and suitability of risk management and internal control system. Report of the reviews is disclosed through annual report and website.

6.6 The Board ensures that the Company establishes mechanism and tools to support performing duty of audit committee. Audit committee can access information necessary for performing their duties.

6.7 The Board assigns Internal Audit Department to be responsible for auditing all important activities to be in line with the Company's policy and Power of Authority. Internal Audit Department work independently and directly report to Audit Committee. Audit Committee has the authority to approve the appointment or dismissal of the head of Internal Audit Department.

6.8 The Board prioritizes importance of controlling of internal information usage which might affect stock price. The Board establishes policy of Internal Information Usage Controlling to prevent the use of internal information for private interest. The directors, executives, staffs who involve in financial reports, and other persons who get important information prior to publicizing public such as auditor, are not allowed to buy, sell, transfer the Company's stock one month prior to disclosure of financial statement.

6.9 The Board supervises directors have to report the Board while they have the Company's stock trading transaction.

6.10 The Board considers and approves policy of preventing conflict of interest. The policy is disclosed through website. The policy requires directors and executives report their conflict of interest as this report will be used for controlling and managing the transaction which might be conflict of interest transaction to ensure that the



transaction is made in compliance with the regulations and be considered with care, fair, according to general business term. The substantial transaction shall be considered by audit committee and then submit audit committee's opinion to the Board for approval. In consideration of related transaction, related transaction director will not attend that agenda as well as not vote and give opinion in this agenda item. The Company shall disclose details of related transaction which complied with the requirements through SET website.

6.11 The Board considers and approves policy of whistle-blowing and defines designated channels for reporting such as postal to audit committee or whistle-blowing@surapon.com. Process and procedure of investigation as well as protecting whistleblowers, and remedial action are clearly defined.

## 7. Ensure Disclosure and Financial Integrity

7.1 The Board ensures that the Company has the policy to equally treat information both positive and negative. The Board shall concern the equal accession of information as well as keeping confidentiality of important information. The disclosure of information will comply with requirements of the regulatory organizations.

7.2 The Board ensures that all important information relevant to the Company both finance and non-finance concerning business and operation are accurate, complete and timely. This distribution of information covers various communication channels such as Information Report (56-1), Annual Report (56-2), the Company's website, and SET website.

7.3 The Board ensures that disclosure of financial and performance reports including financial status and financial difficulties are regularly and timely reported.

7.4 The Board prioritizes to control financial liquidity and ensure that there will be controlling of financial liquidity continuously and closely. In consideration of investment, the Company shall consciously consider an effect to financial liquidity and solvency.

7.5 The Board supervises and ensures that any person involved in the preparation and disclosure of any information of the Company is suitable. They possess relevant knowledge, skills, and experiences. The Board also supervises disclosure of important information reflect the Company's financial status and performance. The Board also promotes the inclusion of MD&A (Management Discussion and Analysis) in quarterly financial reports in order to provide investors more complete and accurate information.

7.6 The Board supervises and ensures that annual report of implementation of corporate social responsibility as well as the policy and guideline practices for all stakeholders is disclosed through website.

7.7 The Company establishes policy of communicating and disclosing information to public. The policy concerns fairness, equality, and timeliness of disclosure. The Company assigns investor relation function responsible for communication with shareholders and other stakeholders. Channel to contact is investor@surapon.com. Moreover, the board promotes the management to establish clear direction and activities.



## 8. Ensure Engagement and Communication with Shareholders

8.1 The Board ensures that significant decisions as well as significant impact to the Company are considered and/or approved by the Board and/or shareholders with proper opinions from the management.

8.2 The Board encourages participation of shareholders by establishing policy of facilitating shareholders to attend the shareholders' meeting as well as criterias of proposing shareholders' meeting agenda in advance. The Board also ensures that the Company does not through its meeting attendance requirements or prerequisites prevent attendance by or places an undue burden on shareholders, including as a result of identification requirements that exceed applicable legal and regulatory requirements. The Company communicates shareholders to propose the shareholders' meeting agenda item during September 30, 2017 to December 31, 2017. There is no proposal from the shareholders.

8.3 The Board respects the right of all shareholders equally and responsible for taking care of shareholder's interest. Shareholder has rights to make decision on important issues. Shareholders have equal right on profit sharing. The Company has a policy to pay the dividend approximately 60% of net profit after tax from separate financial statement, except when investment or cash flow is needed — the Board may propose the shareholder's meeting to pay the dividend as appropriate. In 2017, The Company paid dividend at the rate of Baht 0.30 per share or equivalent to 70.26% of net profit after tax from separate financial statement which is in line with the Company's dividend policy.

8.4 The Board emphasizes on decision making of any significant matters and disclosure information for shareholders, investors and public. In 2017, The Company has arranged to support the rights of shareholder including the facilitation for the shareholders as follows:

- 1) To disclose via SET website regarding the resolution of the Board's meeting no.1/2017 on February 20, 2017 Re: Convening the AGM included agenda and important details. The disclosure of information had been done within the day of which the Board has a resolution to convene the AGM.
- 2) The Company has a great emphasis on organizing the AGM by complying with the laws and regulations. The Company recognizes that all information, are disclosed accurately, completely, transparently on a timely basis.
- 3) Before the AGM date: the Company sent out the notice of AGM, supporting documents and annual report to all shareholders and all regulatory organizations. Details as specified in the notice are in accordance with the laws and regulations as well as AGM checklist. The Company posted the AGM document through the Company's website 30 days prior to the AGM date as well as notified the shareholders through SET website. The notice of AGM was also publicized through daily local newspapers for consecutive 3 days prior to the meeting date. Shareholder, thus, would have enough time for consideration.
- 4) On AGM date: The Company provides 2 hours registration prior to convening the meeting as well as arranged proper facilities and receptions. Chairman of the Board presided Chairman of AGM meeting. All Board members, CEO, Executives, Chairman of each sub-committee, Auditor and Legal advisor attended the meeting. The sequence of the meeting agenda ran respectively as specified in the AGM notice. No additional agenda was considered in the meeting.

- 5) Before starting the meeting: Chairman informed the number of attendant, quorum of the meeting and introduced the Board, the Management, Auditor, Legal Advisor, and Company Secretary. Company Secretary explained the process of voting, counting, and declaring voting result. The Company used the computerized system for counting the vote for correctness. Furthermore, The Company had invited legal advisor to be the witness for counting process for trustworthiness and transparency.
- 6) During the meeting: Chairman allowed Shareholders inquire and express their opinions and recommendations. Company Secretary would record all important questions and answers in the minutes.
- 7) After finished the meeting: The Company disclosed the meeting resolutions through SET website on the same date of the AGM. The completed minutes of the meeting was submitted to the regulatory organizations and also posted on the Company's website within 14 days after the meeting date.



# Internal Control and Risk Management

The Company is highly aware of the importance on internal control. The Company put emphasis on internal control and risk management in all operation activities. Board of Directors has arranged the annual assessment program to evaluate the adequacy and suitability of Internal Control system. In 2017, the Audit Committee utilized the assessment form as suggested by the Office of Securities and Exchange Commission and proposed to the Board of Directors for consideration. Board of Directors has unanimously resolved that the Company's internal control system is sufficient and suitable.

Board of Directors also gives precedence to the auditor's opinion given in the Auditor Report which reveals no significant weaknesses in the Company's internal control. In addition, the Management has provided best supports to develop and improve the internal control system continuously by using internal control guidelines under standard of The Committee of Sponsoring Organization of the Treadway Commission (COSO) and Enterprise Risk Management applied to the Company's operations. The assessment of the Company's internal control system can be summarized as follows;

## 1. Environment Control

The Company has a strong commitment to operate its business honestly and ethically. The organization structure, line of command and power of authority have been set to comply with job function and key responsibilities. Human resources function focused on conserving and developing the high potential employees. The Company and subsidiaries keep emphasis on communicating all employees regarding the risk of corruption and bribery as well as conflict of interest in order to promote awareness of anti-corruption as a part of corporate culture continuously.

## 2. Risk Assessment

The Company established the efficient internal control and risk management systems. The Company appointed Risk Management Committee to monitor, consider, and define the suitable risk management measures according to the Company's risk management policy. Risk Management Committee has duties to assess the corporate risks: strategic risk, financial risk, operation risk, event and disaster risk, compliance risk, and corruption risk. There will be continuous monitoring, assessing and reporting the risk factor management to the Management. Risk Management Department shall monitor the results of risk management according to the Company's risk management manual. In addition, Internal Audit department shall regularly audit the implementation of risk management.

## 3. Activities Control

The Company has designed the internal control system which is suitable for working environment and business operation in order to mitigate risk to acceptable level. The scope of work and segregation of authorities as well as checking & balancing system have been clearly determined. Approvals of transaction shall be considered by concerning the best benefits of the Company and considering as at arm's length basis treatment.

## 4. Information and Communication

The Company set up various communication procedure and channel both internal and external in order to support efficiency of risk management and internal control. The Company set up whistle-blowing policy and channels to hear voices regarding anti-corruption and internal control concerns.

## 5. Activities Monitoring

The Company generates the monitoring system to ensure that the internal control in all operation activities is efficient and effective. If there is an issue concerned to the defective of internal control systems, the channel to inform such issue has been created. The Company has a proper reporting method to ensure that the performance under the internal control has been reported continuously to the Executives and Board of Directors.



### Dividend Payment Policy

Board of Directors' meeting no. 4/2006 on July 14, 2006 had passed the resolution to add a sub-section 2.1.6 regarding the dividend payment policy in the Corporate Governance Policy in Section 2 (Shareholders' rights and the equal treatment). Board of Directors' meeting no.8/2009 on December 17, 2009 has passed the resolution to adjust some wordings to make it clearer. The Company's dividend payment policy as mentioned in the Corporate Governance policy sub-section 2.1.6 is "The Company's policy is to pay the dividend approximately 60% of annual net profit after tax from Separate Financial Statement, except when investment or cash flow is needed — the Board of Directors could present the Shareholders' meeting to pay the dividend as it fits"



### Related Transaction

In business operation, the Company may have related transaction with related person and/or juristic person. The Company, however, carefully makes decision of the related transaction by concerning the Company's best benefits with care and fair as well as to be in line with the laws and regulations. In addition, the Audit Committee has reviewed and given the opinion to the Board of Directors. In case the Company enters into related transaction with the Directors and/or Executives, the involved Directors will not vote for this transaction.

In the Board of Directors' meeting no.4/2008, the meeting has passed the resolution of entering into related transaction that the Board of Directors approves in principle to allow the Company and subsidiaries can enter into related transaction with the director, executive or related persons. The management can approve in case general trading conditions as specified by the Notification of the Board of Governors of the Stock Exchange of Thailand.

Disclosure of related transaction shall comply with the requirements of SET and Capital Market Supervisory Board as well as Generally-accepted Accounting Standard. The related transaction has been also disclosed in note of the financial statement as specified in the annual report for the year ended December 31, 2017.



# Management Discussion and Analysis

## Overall Performance for the year 2017

Net profit of Surapon Foods Public Company Limited and its subsidiaries (“the Company and its subsidiaries”) for the year 2017 amounting to Baht 195 million (2016: 461 million baht), a decrease of Baht 266 million or 58% from the year 2016. The loss attributable to the owners of the Company was Baht 8 million (2016: net profit of Baht 154 million).

In the year 2017, the main raw materials of the Company and its subsidiaries were chicken and shrimp. In 2017, the cost of chicken raw material increased due to demand of chicken was increased in line with an increase of world consumption of chicken products. Whereas, situation of shrimp cultivation supply in Thailand decreased compared to 2016, resulting the cost of shrimp raw materials still remained at a high level since Early Mortality Syndrome (“EMS”) in the year 2012. To maintain competitiveness and maintain long term business growth, the Company and its subsidiaries have adjusted and changed their business operations by improvement of production area of the Company and its subsidiaries to support more variety of products especially value added products of processed seafood and processed chicken, which have been more business opportunities. In 2017, the Company and its subsidiaries more invested in machineries and equipment totaling Baht 586 million and also did the research and development of existing and new products for commercial purpose

The Company and its subsidiaries changed their domestic market distribution by establishing Surapon Finest Co., Ltd. (a subsidiary of the Company) to be a sole representative of domestic market and neighboring countries. Surapon Finest Co., Ltd. also perform as a trading agent by sourcing variety of products from domestic and overseas and distribute those products to domestic and neighboring countries.

## Performance and Profitability

### Revenues from sales and services

In 2017, revenue from sale of goods and revenue from rendering of services of the Company and its subsidiaries was totaling Baht 5,524 million (2016: Baht 5,715 million), a decrease of Baht 191 million or 3% compared to the year 2016. This was mainly due to the fact that one of the Company’s plant in Prachinburi province stops its shrimp product production and be renovated the plant for serving new product of processed chicken. Consequently, sales revenue from shrimp products was dropped. However, such construction of processed chicken plant has been completed since the end of 2017 and starts its commercial production in December 2017.

In 2017, the Company and its subsidiaries posted revenue from rendering of services of logistics, distribution, and warehouse of Baht 32 million (2016: Baht 6 million), an increase of Baht 26 million or 414%. An increase of that revenue was due to the full twelve months period of operation in the year 2017 while its operation in the year 2016 was started around mid-year. In addition, additional services were provided which contribute more revenue such as distribution of small unit of goods, sorting of goods.

## Gross profit margin

Gross profit ratio of 2017 was 13% compared to the year 2016 at 16%. The reasons of such decrease were mainly due to the followings:

1. An appreciation of Thai Baht compared to Japanese Yen, this led value of export revenue in Thai Baht decrease.
2. An increase of main raw materials cost, this was due to supplies of shrimp and chicken raw materials are less than their demands as a result of cost of shrimp and chicken raw materials still remained at a high level.

## Distribution cost and administrative expenses

In the year 2017, distribution cost and administrative expenses of the Company and its subsidiaries totaling amounting to Baht 565 million (2016: Baht 488 million), an increase of Baht 77 million or 16% compared to the year 2016. The main reasons of such increase are as followings:

1. Due to the discontinuity of shrimp business production at the plant in Prachinburi province, there was a record of loss from impairment, loss on disposal and written-off those machineries and equipment amounting to Baht 23 million.
2. The increase of a loss on inventories devaluation from 2016 by Baht 34 million. This was mainly due to the experimental production of processed chicken products at the plant in Prachinburi province. Such plant construction has been completed since the end of 2017.
3. Distribution cost of the Company and its subsidiaries decreased compared to 2016 by Baht 37 million which is in line with the drop in sales.

## Profitability

In the year 2017, in order to maintain competitiveness and maintain long term business growth, the Company and its subsidiaries have adjusted and changed their business operations. This led the net profit in 2017 was Baht 195 million (2016: Baht 461 million), a decrease of Baht 266 million or 58% whereby the loss attributable to the owners of the Company was Baht 8 million (2559: net profit of Baht 154 million).

Profitability Ratios	2017	2016
Gross Profit Margin (%)	12.2	16.2
Net profit Margin (%)	3.5	8.1
EBITDA (%)	9.4	13.5
Return on Assets (ROA) (%)	5.4	13.6
Return on Equity (ROE) (%)	8.2	19.2

## Financial position

### Asset

Total assets of the Company and its subsidiaries as at 31 December 2017 amounting to Baht 3,625 million, an increase of Baht 32 million or 0.9%. The main reasons of such increase are as following:

1. Trade accounts receivable as at 31 December 2017 amounted to Baht 234 million, an increase of Baht 7 million. The majority of the 2017 outstanding receivables were the balance within the credit term amounting to Baht 207 million. The average collection period of the year 2017 was 15 days, while in the year 2016 was 16 days. As a result of stricter credit control and efficiency of debt collection, as at 31 December 2017 the Company and its subsidiaries did not record any allowance for doubtful accounts.
2. Inventories as at 31 December 2017 amounting to Baht 430 million, a decrease of Baht 62 million. The main reason of such decrease was due to the decrease of finished goods and raw materials balance by Baht 43 million due to effectiveness of inventories management led the reduce in cost of storage. Average inventories turnover of the Company and its subsidiaries for the year 2017 was 35 days, while the year 2016 was 38 days.
3. As at 31 December 2017, the Company and its subsidiaries recorded the allowance for decline in value of inventories amounting to Baht 46 million (2016: Baht 10 million). The allowance was mainly recorded against processed chicken products. Those had high cost because they were produced during the machineries trial period at the plant in Prachinburi province.
4. Property, plant and equipment as at 31 December 2017 amounted to Baht 2,199 million, an increase of Baht 320 million due to more construction of plant, machines, and equipment totaling Baht 586 million, depreciation expense was Baht 233 million, an impairment loss on assets and loss on disposal and written-off property, plant and equipment were Baht 33 million.

### Liabilities

As at 31 December 2017, the Company and its subsidiaries had liabilities totaling Baht 1,306 million, an increase of Baht 159 million or 14% from 2016. The main reasons of such increase are as followings:

1. Short-term loans from financial institutions amounting to Baht 137 million, a decrease of Baht 90 million from 31 December 2016.
2. Trade accounts payable amounting to Baht 195 million, an increase of Baht 16 million from 31 December 2016. The average payment period of the Company and its subsidiaries for the year 2017 was 14 days which is same as 2016.
3. Long-term loans from financial institutions (including current portion) was Baht 483 million, an increase of Baht 256 million due to the Company and its subsidiaries entered into a long-term loan agreement to finance the building construction, purchasing of machineries and equipment for the plant in Prachinburi province.
4. Financial lease liabilities (including current portion) was Baht 50 million, a decrease of Baht 20 million from 31 December 2016. This was due to repayment of financial lease.

### Equity

Total equity of the Company and its subsidiaries as at 31 December 2017 was Baht 2,319 million, a decrease of Baht 127 million or 5% compared to 31 December 2016. This was due to the profit for the year amounting to Baht 195 million, dividend payment by the Company amounting to Baht 81 million, the dividend payment to non-controlling interest amounting to Baht 244 million

### Liquidity

In the year 2017, the Company and its subsidiaries posted net cash flow from operating activities of Baht 538 million, a decrease of Baht 161 million from the year 2016 due to a decrease of profit for the year. The Company and its subsidiaries posted cash flow used in investing activities for the year 2017 amounting to Baht 494 million, of which Baht 532 million was used in purchase of machineries and equipment, most of such amount was used in machineries and equipment of processed chicken plant in Prachinburi province. The Company and its subsidiaries posted cash flow used in financing activities amounting to Baht 217 million, of which Baht 81 million was the dividend payment paid to the shareholders of the Company and Baht 244 million was the dividend payment paid to the non-controlling interests.

In the year 2017, the Company and its subsidiaries managed their capital by sourcing suitable cost of finance and maintain the liquidity of the Company and its subsidiaries. Liquidity ratios for the year 2017 were close to the year 2016, which can be summarized as followings:

Liquidity Ratios	2017	2016
Debt to Equity Ratio (D/E Ratio)	0.6	0.5
Current Ratio	1.9	2.0
Cash Cycle (Days)	36	40
Interest Coverage	15.3	46.1





# Report of Audit Committee to the Shareholders

The Company's Audit Committee consists of three Independent Directors namely Mr. Sathaporn Kotheeranurak; Chairman of Audit Committee, Mr. Pisnu Rianmahasarn, and Mr. Putaporn Ninwarangkoon as the Committee whereas Mr. Wichian Roruksa, acting head of Internal Audit unit, serves as the secretary. All members are knowledgeable and have qualifications as required by the Audit Committee charter which are complied with the regulations and notifications of the regulatory organizations.

The Audit Committee has performed the duties under scope of work, duties and responsibilities independently without limitation of information access including good cooperation with the Management and staffs.

In 2017, there were 5 meetings of Audit Committee, one time meeting with external auditor without the Management. In addition, 3 times of the meeting to consider the correctness and adequacy of the Company's implementations on Anti-corruption according to CAC recertification process. Audit Committee attended all 3 persons for all the meetings. Summary of the 2017 performance can be summarized as follow:

## 1. Financial Statement Review and Audit

There were meetings with external auditor, the management, and internal auditor to consider financial statement, accounting policy, changes in important accounting policy, discuss with the management before submitting for Board of Directors' approval. Besides, there was 1 time meeting without the Management to consult and seek advices from external certified auditor. Audit committee considered and viewed that financial statement as at December 31, 2017 is correct and adequate according to Generally-accepted Accounting Principles. Certified Auditor has operated and shown independent opinion on Financial Statement.

## 2. Internal Control System Review

To consider efficiency and effectiveness of internal control system through quarterly internal audit report, which covered important activities, together with the report from external certified auditor. The result of internal control system report was not found any significant weakness. The Audit committee viewed that the Company's internal control system is adequate, appropriate, and efficient according to the objectives and compositions of internal control system.

## 3. Operation Review to be in compliance with Laws and Regulations

Operation review to ensure compliance with relevant business laws and regulations through the quarterly report from laws and regulations monitoring working committee under Risk Management Committee. Moreover, Internal Audit unit had regularly done the audit sampling. Audit Committee had an opinion that the Company has the adequate and proper monitoring system.

## 4. Related Transaction and Conflict of Interest Transaction Reviews

The Audit Committee gave an opinion that considerations of related transaction and conflict of interest transaction have transparent and equitable process in order to make sure that the decision should be made by concerning overall benefit of the Company. The disclosure of information was accurate and adequate.

## 5. Internal Audit System Review

Audit Committee considered independence, scope of work, duty and responsibility of Internal Audit unit concordantly with international professional standard. The Audit Committee also reviewed internal auditor charter, considered the internal auditor's self-assessment, approved annual audit plan; which has been settle based upon the risk assessment, reviewed the auditor report and also evaluated performance of Internal Auditor unit and head of Internal Audit unit including considering the appropriateness of head of Internal Audit's qualifications and in-duty competencies. Audit Committee viewed that the Company's Internal Audit System is independent, adequate, and efficient. The Company's Internal Audit system was set to be in line with the business target as well as the professional standard.

## 6. Risk Management System Review

To follow up an efficiency of risk management system by reviewing the minutes of Risk Management Committee. The Audit Committee viewed that risk management system is appropriate and adequate.

## 7. Considerations of the Company's auditor and auditing fee for the year 2017

To appoint the Company's auditor, The Audit Committee considered the reliability, working standard, independence, quality of works and services. The Audit Committee also considered the suitable auditing fee before proposing to Board of Directors and Shareholders' meetings for their approvals. The Audit Committee recommended to appoint KPMG Phoomchai Audit Ltd. to be the Company's auditor for the year 2017.

## 8. Whistle-Blowing

In the year 2017, there is no whistle-blowing case to be submitted to the Audit Committee for consideration as specified in the Company's Whistle-Blowing policy.

## 9. Annual Performance Assessment of Audit Committee for the year 2017

To ensure that the Audit Committee performance is completely achieved as specified in charter of Audit Committee and complied with guideline from the Stock Exchange of Thailand. The Audit Committee's overall assessment result is equivalent to very good level. The assessment result was submitted to Board of Directors meeting for their consideration.

In conclusion, Audit Committee viewed that Board of Directors, the Executives and staffs have strong commitment with their duties and responsibilities to try achieving the Company's business goals by concerning good corporate governance. The Company's internal control system and risk management system are appropriate and adequate.



(Mr.Sathaporn Kotheeranurak)  
Chairman of Audit Committee



(Mr.Pisnu Rianmahasarn)  
Member of Audit Committee



(Mr.Putaporn Ninwarangkoon)  
Member of Audit Committee

## Report of Board of Directors' Responsibilities for Financial Reporting

Board of Directors of Surapon Foods Public Company Limited is responsible for the Company's financial statement which has been prepared in according with Generally-accepted Accounting Standards in Thailand. The policy pursued is deemed appropriate and applied consistently with adequate disclosure of important information in the notes to financial statements. The Board has appointed Audit Committee to provide effective oversight of finances and the internal control system to ensure that accounting records are accurate, complete and timely. The views of Audit Committee are reported in Audit Committee's report in the Company's annual report.

The Board assessed sufficiency of internal control system and views that internal control system of the Company presents accurately as well as transparent. The Board creates confidence on financial statements as at December 31, 2017.



Mr. Kosol Chantikul  
Chairman



Mr. Surapon Vongvadhanaroj  
Chairman of Executive Committee



Mr. Sorapon Vongvadhanaroj  
Chief Executive Officer

## Audit Fee

The Company's Certified Auditor in 2017 named Miss Orawan Sirirattanawong CPA No. 3757 of KPMG Phoomchai Audit Ltd. Actual payment to the auditor in 2017 is as follows:-

Auditor's Remuneration	Amount (Baht)
Audit Fee	
- Audit Fee for Surapon Foods PLC.	1,000,000
- Audit Fee for the Subsidiaries (7 Companies)	2,105,000
Non Audit Fee	0



# Independent Auditor's Report

## **To the Shareholders of Surapon Foods Public Company Limited**

### *Opinion*

I have audited the consolidated and separate financial statements of Surapon Foods Public Company Limited and its subsidiaries (the “Group”) and of Surapon Foods Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2017, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### *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.

<b>Valuation of inventories</b>	
Refer to Notes 3(g) and 9 to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>The Group has significant amount of inventories. The Group's products are frozen seafood and frozen foods which have a limited shelf life and are highly competitive in both domestic and export markets. The Group's main raw materials are mainly from agriculture and fisheries which are subject to impact from weather, environment, disaster, and plague. These factors affect the volatility and cost of main raw materials, selling price of products and valuation of inventories. As the Group's inventories are required to be measured at the lower of cost and net realisable value, therefore the Group considers the current selling price deducted with selling expense compared with cost of inventories. If net realisable value is lower than cost of inventories, the Group will record loss of inventories. The Group also considered net realisable value of nearly expired inventory items. The measurement and valuation of inventories involve a number of judgements of management. Therefore, I have determined the valuation of inventories to be a key audit matter.</p>	<p>My audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• inquiring the management regarding the Group's policy for provision for decline in value of inventories;</li> <li>• assessing the Group's policy used in making the estimation whether the method is in accordance with the Group's accounting policy;</li> <li>• gaining an understanding of internal control process relating to the inventory management and observing physical count of inventories including inspecting the inventories condition to identify expired items;</li> <li>• considering the slow-moving inventories by evaluating the aged analysis report of inventories whether it is complete and accurate and reconciled it to the inventory report. Test sampling to recalculate aging inventories report by checking with supporting documents whether inventories is categorised in proper age range;</li> <li>• testing on a sample basis to assess the adequacy of measurement net realisable value of slow-moving inventories by comparing provision for decline in value of expired inventories with historical information, distribution plan and marketing factor which affects the selling price of the products;</li> <li>• testing sample to assess net realisable value by comparing the expected selling prices with subsequent documents after the year end or price list and distribution plan. Including considering the estimation of selling expenses with supporting documents and historical information; and</li> <li>• evaluating the adequacy of disclosures in relation to inventories in the financial statements.</li> </ul>

<b>Recoverability of deferred tax assets on tax losses carried forward</b>	
Refer to Notes 3(u) and 17 to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>The Group has recognised deferred tax assets from tax losses carried forward as at 31 December 2017 of Baht 3.0 million for the Group. The recoverability of these amounts involves management's judgements as to the likelihood of generating sufficient future taxable profit and ability of the Group to utilise those losses in the future to support the recognition of deferred tax assets.</p>	<p>My audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• inquiring management who is responsible for the preparation of forecast future taxable profit of the Group;</li> <li>• reconciliation of the tax losses carry forward and expiry date with taxation report;</li> <li>• assessing and challenging management's judgements and assumptions relating to forecast future taxable profit by considering historical forecasting accuracy, comparing with actual performance and operation plan including my knowledge of the Group, the Group's industry and the sensitivities of forecast future taxable profit and evaluate the reasonableness of the forecast future taxable profit prepared by management;</li> <li>• recalculating the mathematical of the forecast; and</li> <li>• evaluating the adequacy of the financial statements disclosures.</li> </ul>

### *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. The annual report is expected to be made available to me after the date of this auditor's report.

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 identified above when it becomes available 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.

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

Management is responsible for the 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.

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.

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.



(Orawan Sirirattanawong)  
Certified Public Accountant  
Registration No. 3757

KPMG Phoomchai Audit Ltd.  
Bangkok  
20 February 2018



# Statement of financial position

## Surapon Foods Public Company Limited and its Subsidiaries

Assets	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2017	2016	2017	2016
(in Baht)					
<b>Current assets</b>					
Cash and cash equivalents	5	502,170,986	674,623,242	23,927,805	15,144,380
Current investments	6	-	31,151,155	-	1,199,600
Trade accounts receivable	4, 7	234,174,711	226,729,382	161,685,856	95,691,765
Other receivables	4, 8	60,732,425	64,269,272	14,916,363	11,575,197
Dividend receivable	4	-	-	-	14,240,513
Inventories	9	430,398,514	492,551,854	86,497,541	235,193,897
<b>Total current assets</b>		<b>1,227,476,636</b>	<b>1,489,324,905</b>	<b>287,027,565</b>	<b>373,045,352</b>
<b>Non-current assets</b>					
Investments in associates	4, 10	20,879,207	23,299,012	17,150,000	17,550,000
Investments in subsidiaries	4, 11	-	-	730,477,375	730,477,375
Other long-term investments	13	2,000,000	-	200,000	-
Investment properties	14	124,650,041	125,261,795	5,000,000	5,000,000
Property, plant and equipment	15	2,199,459,862	1,879,316,951	519,220,425	445,072,996
Intangible assets	16	21,016,611	13,133,526	2,406,800	2,775,504
Deferred tax assets	17	9,152,334	16,774,521	-	-
Other non-current assets	18	20,814,974	46,786,232	13,021,527	5,489,317
<b>Total non-current assets</b>		<b>2,397,973,029</b>	<b>2,104,572,037</b>	<b>1,287,476,127</b>	<b>1,206,365,192</b>
<b>Total assets</b>		<b>3,625,449,665</b>	<b>3,593,896,942</b>	<b>1,574,503,692</b>	<b>1,579,410,544</b>

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

# Statement of financial position

## Surapon Foods Public Company Limited and its Subsidiaries

Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2017	2016	2017	2016
(in Baht)					
<b>Current liabilities</b>					
Short-term loans from financial institutions	19	137,000,000	227,000,000	-	30,000,000
Trade accounts payable	4, 20	194,541,453	178,259,681	28,399,124	53,917,561
Other payables	4, 21	228,039,273	228,556,373	71,847,451	79,008,811
Current portion of long-term loans					
from financial institutions	19	51,514,000	30,576,000	10,864,000	576,000
Loan from an associate	4, 19	5,000,000	5,000,000	-	-
Current portion of finance lease liabilities	19	28,069,597	32,407,445	6,772,830	6,382,083
Income tax payable		16,639,435	33,061,629	-	-
<b>Total current liabilities</b>		<b>660,803,758</b>	<b>734,861,128</b>	<b>117,883,405</b>	<b>169,884,455</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions	19	431,136,000	195,868,000	786,000	868,000
Finance lease liabilities	19	22,411,342	38,414,071	10,413,063	14,511,613
Deferred tax liabilities	17	70,258,160	55,588,160	39,462,509	23,971,393
Non-current provisions for employee benefits	22	121,486,637	122,806,762	34,530,953	53,387,724
<b>Total non-current liabilities</b>		<b>645,292,139</b>	<b>412,676,993</b>	<b>85,192,525</b>	<b>92,738,730</b>
<b>Total liabilities</b>		<b>1,306,095,897</b>	<b>1,147,538,121</b>	<b>203,075,930</b>	<b>262,623,185</b>
<b>Equity</b>					
Share capital					
Authorised share capital					
Ordinary shares 270,000,000 shares, Baht 1 par value		270,000,000	270,000,000	270,000,000	270,000,000
Issued and paid-up share capital					
Ordinary shares 269,999,000 shares, Baht 1 par value		269,999,000	269,999,000	269,999,000	269,999,000
Additional paid-in capital					
Premium on ordinary shares	23	270,000,000	270,000,000	270,000,000	270,000,000
Retained earnings					
Appropriated					
Legal reserve	24	27,000,000	27,000,000	27,000,000	27,000,000
Unappropriated		862,389,339	949,909,887	616,992,651	562,343,289
Other components of equity		297,581,000	297,595,164	187,436,111	187,445,070
<b>Equity attributable to owners of the parent</b>		<b>1,726,969,339</b>	<b>1,814,504,051</b>	<b>1,371,427,762</b>	<b>1,316,787,359</b>
Non-controlling interests	12	592,384,429	631,854,770	-	-
<b>Total equity</b>		<b>2,319,353,768</b>	<b>2,446,358,821</b>	<b>1,371,427,762</b>	<b>1,316,787,359</b>
<b>Total liabilities and equity</b>		<b>3,625,449,665</b>	<b>3,593,896,942</b>	<b>1,574,503,692</b>	<b>1,579,410,544</b>

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

# Statement of comprehensive income

## Surapon Foods Public Company Limited and its Subsidiaries

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2017	2016	2017	2016
(in Baht)					
<b>Revenue</b>					
Revenue from sale of goods	4, 25, 33	5,523,781,943	5,714,832,767	1,005,996,038	1,489,010,365
Revenue from rendering of services	33	32,408,195	6,307,158	-	-
Interest income and dividend income	4	5,084,205	4,559,820	233,548,725	240,284,594
Net foreign exchange gain		98,761,171	28,714,855	5,948,024	697,943
Other income	4, 26	71,705,972	73,747,512	75,214,327	49,912,635
<b>Total revenue</b>		<b>5,731,741,486</b>	<b>5,828,162,112</b>	<b>1,320,707,114</b>	<b>1,779,905,537</b>
<b>Expenses</b>					
Cost of sale of goods	4	4,827,212,952	4,773,582,073	932,472,197	1,379,742,854
Cost of rendering of services		52,271,374	19,947,434	-	-
Distribution costs	4, 27	241,499,266	278,073,664	86,818,442	148,781,382
Administrative expenses	4, 28	323,841,965	209,659,316	150,786,984	133,551,512
Finance costs	31	18,723,374	11,858,825	1,227,755	517,475
<b>Total expenses</b>		<b>5,463,548,931</b>	<b>5,293,121,312</b>	<b>1,171,305,378</b>	<b>1,662,593,223</b>
Share of profit (loss) of associates	4, 10	416,770	(159,587)	-	-
<b>Profit before income tax expense</b>		<b>268,609,325</b>	<b>534,881,213</b>	<b>149,401,736</b>	<b>117,312,314</b>
Tax expense	32	73,632,610	73,642,048	15,145,220	2,026,278
<b>Profit for the year</b>		<b>194,976,715</b>	<b>461,239,165</b>	<b>134,256,516</b>	<b>115,286,036</b>
<b>Other comprehensive income</b>					
<b>Items that will be reclassified subsequently to profit or loss</b>					
Gains on remeasuring available-for-sale investments		-	13,103	-	7,214
Realised gain on sale of available-for-sale investments to profit or loss		(17,890)	(493,949)	(11,199)	(273,315)
Income tax relating to items that will be reclassified		3,578	96,168	2,240	53,220
<b>Total items that will be reclassified subsequently to profit or loss</b>		<b>(14,312)</b>	<b>(384,678)</b>	<b>(8,959)</b>	<b>(212,881)</b>
<b>Items that will not be reclassified to profit or loss</b>					
Losses on revaluation of assets	15	-	(9,009,170)	-	-
Gains (losses) on remeasurements of defined benefit plans	22, 32	2,588,836	(22,082,926)	1,740,684	(2,438,071)
Income tax relating to items that will not be reclassified		(517,767)	6,218,419	(348,138)	487,614
<b>Total items that will not be reclassified to profit or loss</b>		<b>2,071,069</b>	<b>(24,873,677)</b>	<b>1,392,546</b>	<b>(1,950,457)</b>
<b>Other comprehensive income (expense) for the year, net of tax</b>		<b>2,056,757</b>	<b>(25,258,355)</b>	<b>1,383,587</b>	<b>(2,163,338)</b>
<b>Total comprehensive income for the year</b>		<b>197,033,472</b>	<b>435,980,810</b>	<b>135,640,103</b>	<b>113,122,698</b>

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

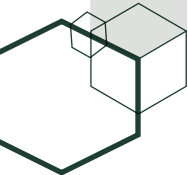


# Statement of comprehensive income

## Surapon Foods Public Company Limited and its Subsidiaries

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2017	2016	2017	2016
		<i>(in Baht)</i>			
<b>Profit (loss) attributable to:</b>					
Owners of the parent		(8,422,286)	154,481,548	134,256,516	115,286,036
Non-controlling interests	12	203,399,001	306,757,617	-	-
<b>Profit for the year</b>		<b>194,976,715</b>	<b>461,239,165</b>	<b>134,256,516</b>	<b>115,286,036</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		(6,535,012)	136,588,136	135,640,103	113,122,698
Non-controlling interests		203,568,484	299,392,674	-	-
<b>Total comprehensive income for the year</b>		<b>197,033,472</b>	<b>435,980,810</b>	<b>135,640,103</b>	<b>113,122,698</b>
<b>Basic earnings (loss) per share</b>	34	<b>(0.03)</b>	<b>0.57</b>	<b>0.50</b>	<b>0.43</b>

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



# Statement of Changes in equity

## Surapon Foods Public Company Limited and its Subsidiaries

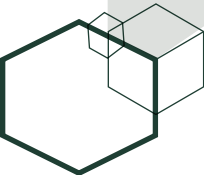
	Note	Consolidated financial statements									
		Retained earnings			Other components of equity						
		Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated	Revaluation of assets	Available-for-sale investments	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
(in Baht)											
Year ended 31 December 2016		269,999,000	270,000,000	27,000,000	922,027,833	304,633,825	354,827	304,988,652	1,794,015,485	568,354,028	2,362,369,513
Balance at 1 January 2016		-	-	-	(116,099,570)	-	-	-	(116,099,570)	-	(116,099,570)
Transactions with owners, recorded directly in equity	35										
<i>Distributions to owners of the parent</i>											
Dividends		-	-	-	(116,099,570)	-	-	-	(116,099,570)	-	(116,099,570)
<i>Total distributions to owners of the parent</i>		-	-	-	(116,099,570)	-	-	-	(116,099,570)	-	(116,099,570)
<i>Changes in ownership interests in subsidiaries</i>											
Dividends of subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(235,891,932)	(235,891,932)
<i>Total changes in ownership interests in subsidiaries</i>		-	-	-	-	-	-	-	-	(235,891,932)	(235,891,932)
Total transactions with owners, recorded directly in equity		-	-	-	(116,099,570)	-	-	-	(116,099,570)	(235,891,932)	(351,991,502)
Comprehensive income for the year											
Profit		-	-	-	154,481,548	-	-	-	154,481,548	306,757,617	461,239,165
Other comprehensive income		-	-	-	(10,499,924)	(7,052,825)	(340,663)	(7,393,488)	(17,893,412)	(7,364,943)	(25,258,355)
Total comprehensive income for the year		-	-	-	143,981,624	(7,052,825)	(340,663)	(7,393,488)	136,588,136	299,392,674	435,980,810
Balance at 31 December 2016		269,999,000	270,000,000	27,000,000	949,909,887	297,581,000	14,164	297,595,164	1,814,504,051	631,854,770	2,446,358,821

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

Surapon Foods Public Company Limited and its Subsidiaries

	Note	Consolidated financial statements									
		Retained earnings				Other components of equity					
		Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated	Revaluation of assets	Available-for-sale investments	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
<i>(in Baht)</i>											
Year ended 31 December 2017		269,999,000	270,000,000	27,000,000	949,909,887	297,581,000	14,164	297,595,164	1,814,504,051	631,854,770	2,446,358,821
Balance at 1 January 2017		-	-	-	(80,999,700)	-	-	-	(80,999,700)	-	(80,999,700)
Transactions with owners, recorded directly in equity		-	-	-	(80,999,700)	-	-	-	(80,999,700)	-	(80,999,700)
Dividends	35	-	-	-	-	-	-	-	-	(243,038,825)	(243,038,825)
<i>Total distributions to owners of the parent</i>		-	-	-	-	-	-	-	-	(243,038,825)	(243,038,825)
<i>Changes in ownership interests in subsidiaries</i>		-	-	-	-	-	-	-	-	(243,038,825)	(243,038,825)
Dividends of subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(243,038,825)	(243,038,825)
<i>Total changes in ownership interests in subsidiaries</i>		-	-	-	-	-	-	-	-	(243,038,825)	(243,038,825)
Total transactions with owners, recorded directly in equity		-	-	-	(80,999,700)	-	-	-	(80,999,700)	-	(80,999,700)
Comprehensive income for the year		-	-	-	(8,422,286)	-	-	-	(8,422,286)	203,399,001	194,976,715
Profit or loss		-	-	-	1,901,438	-	(14,164)	(14,164)	1,887,274	169,483	2,056,757
Other comprehensive income		-	-	-	(6,520,848)	-	(14,164)	(14,164)	(6,535,012)	203,568,484	197,033,472
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017		269,999,000	270,000,000	27,000,000	862,389,339	297,581,000	-	297,581,000	1,726,969,339	592,384,429	2,319,353,768

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



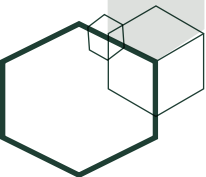
# Statement of Changes in equity

## Surapon Foods Public Company Limited and its Subsidiaries

### Separate financial statements

	Note	Retained earnings			Other components of equity			Total equity	
		Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated	Revaluation of assets	Available-for-sale investments		Total other components of equity
Year ended 31 December 2016									
Balance at 1 January 2016		269,999,000	270,000,000	27,000,000	542,357,039	205,636,304	221,840	205,858,144	1,315,214,183
Transactions with owners, recorded directly in equity									
Distributions to owners									
Dividends	35	-	-	-	(116,099,570)	-	-	-	(116,099,570)
Total distributions to owners		-	-	-	(116,099,570)	-	-	-	(116,099,570)
Total transactions with owners, recorded directly in equity		-	-	-	(116,099,570)	-	-	-	(116,099,570)
Transfer of revaluation surplus on assets sold	15	-	-	-	22,750,241	(18,200,193)	-	(18,200,193)	4,550,048
Comprehensive income for the year									
Profit		-	-	-	115,286,036	-	-	-	115,286,036
Other comprehensive income		-	-	-	(1,950,457)	-	(212,881)	(212,881)	(2,163,338)
Total comprehensive income for the year		-	-	-	113,335,579	-	(212,881)	(212,881)	113,122,698
Balance at 31 December 2016		269,999,000	270,000,000	27,000,000	562,343,289	187,436,111	8,959	187,445,070	1,316,787,359

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



# Statement of Changes in equity

## Surapon Foods Public Company Limited and its Subsidiaries

### Separate financial statements

	Note	Retained earnings			Other components of equity			Total equity	
		Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated	Revaluation of assets	Available-for-sale investments		Total other components of equity
Year ended 31 December 2017									
Balance at 1 January 2017		269,999,000	270,000,000	27,000,000	562,343,289	187,436,111	8,959	187,445,070	1,316,787,359
Transactions with owners, recorded directly in equity									
<i>Distributions to owners</i>									
Dividends	35	-	-	-	(80,999,700)	-	-	-	(80,999,700)
<i>Total distributions to owners</i>		-	-	-	(80,999,700)	-	-	-	(80,999,700)
Total transactions with owners, recorded directly in equity		-	-	-	(80,999,700)	-	-	-	(80,999,700)
Comprehensive income for the year									
Profit		-	-	-	134,256,516	-	-	-	134,256,516
Other comprehensive income		-	-	-	1,392,546	-	(8,959)	(8,959)	1,383,587
Total comprehensive income for the year		-	-	-	135,649,062	-	(8,959)	(8,959)	135,640,103
Balance at 31 December 2017		269,999,000	270,000,000	27,000,000	616,992,651	187,436,111	-	187,436,111	1,371,427,762

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



# Statement of Cash Flows

## Surapon Foods Public Company Limited and its Subsidiaries

Note	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2017	2016	2017	2016
	<i>(in Baht)</i>			
<b>Cash flows from operating activities</b>				
Profit for the year	194,976,715	461,239,165	134,256,516	115,286,036
<i>Adjustments to reconcile profit to cash receipts (payments)</i>				
Tax expense	73,632,610	73,642,048	15,145,220	2,026,278
Finance costs	18,723,374	11,858,825	1,227,755	517,475
Depreciation	233,306,626	221,764,473	39,864,078	50,310,732
Amortisation	3,677,140	2,931,011	942,179	1,766,549
Impairment losses on assets	9,044,409	-	4,256,823	-
Dividend income	-	-	(233,461,175)	(240,107,463)
Employee benefits	15,734,163	14,597,276	(8,527,371)	6,922,497
Unrealised (gain) loss on exchange	(6,547,108)	(9,850,115)	58,422	(1,010,889)
Share of (profit) loss of associates	(416,770)	159,587	-	-
Gain on sale of current investments	(495,921)	(1,328,390)	(237,064)	(950,448)
Gain on sale of investment in associate	(581,713)	-	(1,800,000)	-
Gain from remeasuring investment in associate to fair value	(581,712)	-	-	-
Bad and doubtful debts expenses	1,189,892	-	1,189,892	-
(Reversal of) losses on inventories devaluation	36,028,501	2,227,801	(49,080)	1,431,164
(Gain) loss on disposal and written-off property, plant and equipment	20,064,852	(4,164,645)	17,453,140	(8,257,446)
Interest income	(5,084,205)	(4,559,820)	(87,550)	(177,132)
	592,670,853	768,517,216	(29,768,215)	(72,242,647)
<b>Changes in operating assets and liabilities</b>				
Trade accounts receivable	(6,560,716)	33,896,455	(65,272,810)	25,938,036
Other receivables	47,277,005	(55,823,111)	(4,555,511)	(2,023,088)
Inventories	26,124,839	16,835,459	148,745,435	33,872,624
Other non-current assets	(6,300,726)	8,028,613	(4,845,208)	448,610
Trade accounts payable	16,293,441	(6,223,559)	(25,517,205)	(7,185,601)
Other payables	(45,927,310)	12,496,548	(36,149,880)	5,978,283
Employee benefit obligations paid	(14,465,455)	(23,403,192)	(8,588,720)	(20,354,120)
Net cash generated from (used in) operating	609,111,931	754,324,429	(25,952,114)	(35,567,903)
Taxes paid	(70,945,386)	(54,740,960)	(2,126,299)	(2,202,925)
<b>Net cash from (used in) operating activities</b>	<b>538,166,545</b>	<b>699,583,469</b>	<b>(28,078,413)</b>	<b>(37,770,828)</b>

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

# Statement of Cash Flows

## Surapon Foods Public Company Limited and its Subsidiaries

	Note	Consolidated		Separate	
		financial statements		financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
		2017	2016	2017	2016
		(in Baht)			
<b>Cash flows from investing activities</b>					
Proceeds from sale of current investments		166,629,187	275,900,000	136,425,465	211,800,000
Acquisition of current investments		(135,000,000)	(196,900,000)	(135,000,000)	(167,000,000)
Proceeds from sale of investment in associate		2,000,000	-	2,000,000	-
Proceeds from sale of property, plant and equipment		7,907,282	19,823,157	16,034,342	145,210,810
Acquisition of property, plant and equipment		(531,928,520)	(427,400,931)	(119,251,694)	(68,460,236)
Proceeds from sale of intangible assets		-	-	705,695	-
Acquisition of intangible assets		(8,803,711)	(7,058,792)	(1,048,088)	(242,445)
Acquisition of subsidiaries		-	-	-	(286,199,401)
Dividends received		-	-	247,701,688	244,854,300
Interest received		5,250,568	4,326,538	87,550	177,132
<b>Net cash from (used in) investing activities</b>		<b>(493,945,194)</b>	<b>(331,310,028)</b>	<b>147,654,958</b>	<b>80,140,160</b>
<b>Cash flows from financing activities</b>					
Proceeds from short-term loans from financial institutions		994,800,000	114,000,000	245,000,000	30,000,000
Repayment of short-term loans from financial institutions		(1,084,800,000)	(66,000,000)	(275,000,000)	-
Payment by a lessee for reduction of the outstanding liability relating to a finance lease		(39,430,618)	(38,174,682)	(8,869,743)	(2,380,135)
Proceeds from long-term loans from financial institutions		286,710,000	226,444,000	10,710,000	1,444,000
Repayment of long-term loans from financial institutions		(30,504,000)	(25,706,700)	(504,000)	(3,000,000)
Proceeds from loan from an associate		-	5,000,000	-	-
Dividends paid to owners of the Company		(80,999,700)	(116,099,570)	(80,999,700)	(116,099,570)
Dividends paid to non-controlling interests		(243,798,313)	(235,133,050)	-	-
Acquisition of non-controlling interests		-	599	-	-
Interest paid		(18,650,976)	(9,576,368)	(1,129,677)	(71,681)
<b>Net cash used in financing activities</b>		<b>(216,673,607)</b>	<b>(145,245,771)</b>	<b>(110,793,120)</b>	<b>(90,107,386)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(172,452,256)</b>	<b>223,027,670</b>	<b>8,783,425</b>	<b>(47,738,054)</b>
Cash and cash equivalents at 1 January		674,623,242	451,595,572	15,144,380	62,882,434
<b>Cash and cash equivalents at 31 December</b>	<b>5</b>	<b>502,170,986</b>	<b>674,623,242</b>	<b>23,927,805</b>	<b>15,144,380</b>

### Non-cash transactions:

During the year 2017, the Group acquired property, plant and equipment at total cost of Baht 586.0 million (2016: Baht 494.5 million) which included borrowing costs capitalised of Baht 3.1 million (2559: Baht 1.1 million). In addition, such total cost of which Baht 531.9 million was made by cash payment (2016: Baht 427.4 million), Baht 14.0 million was made by finance lease (2016: Baht 18.4 million) and Baht 37.0 million was outstanding as payable for purchases of plant and equipment as at 31 December 2017 (2016: Baht 47.6 million).

During the year 2017, the Company acquired plant and equipment at total cost of Baht 159.1 million (2016: Baht 92.0 million) which included borrowing costs capitalised of Baht 0.6 million (2559: nil). In addition, such total cost of which Baht 119.3 million was made by cash payment (2016: Baht 68.5 million), Baht 11.0 million was made by finance lease (2016: Baht 17.4 million) and Baht 28.2 million was outstanding as payable for purchases of plant and equipment as at 31 December 2017 (2016: Baht 6.1 million).

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



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 20 February 2018.

### 1 General information

Surapon Foods Public Company Limited, the “Company”, is incorporated in Thailand.

Presently, the Company has registered offices located at the following addresses:

- (a) Head Office : 247 Moo 1, Teparak Road, Tambon Teparak, Amphur Muang, Samutprakarn Province
- (b) Factory 1 : 247 Moo 1, Teparak Road, Tambon Teparak, Amphur Muang, Samutprakarn Province
- (c) Factory 2 : 509 Moo 9, Kabinburi-Korat Road, Tambon Nongki, Amphur Kabinburi, Prachinburi Province

The Company was listed on the Stock Exchange of Thailand in September 1989.

The Company’s major shareholders during the financial year were the groups of Vongvadhanaroj, Kraisithisirin, and Jiengwareewong who hold an approximate total 70 % shareholding in the Company.

The principal activities of the Company and its subsidiaries are the manufacturing and distribution of seafood, finished and semi-finished frozen foods. Details of the Company’s direct subsidiaries as at 31 December 2017 and 2016 are given in note 11.

### 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 other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements. The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### (b) *Basis of measurement*

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

<i>Items</i>	<i>Measurement bases</i>
Available-for-sale investment	Fair value
Land	Revaluation to fair value
Defined benefit liability	Present value of the defined benefit obligations as explained in note 3 (p)

### (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 notes to the financial statements to the nearest thousand unless otherwise stated.

### (d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of 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.

#### (i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 11      Consolidation: whether the Group has de facto control over an investee

#### (ii) Assumptions and estimation uncertainties

Information about assumptions and 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 15      Measurement of land  
 Note 17      Recognition of deferred tax assets : availability of future taxable profit against which tax losses carried forward can be used  
 Note 22      Measurement of defined benefit obligations: key actuarial assumptions

#### *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 the Chief Financial Officer.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's 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 14	Investment property;
Note 15	Measurement of land; and
Note 36	Financial instruments

### 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 associates.

##### *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.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *Interests in equity-accounted investees*

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

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

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

### *Transactions eliminated on consolidation*

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

### **(b) 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.

### **(c) Derivative financial instruments**

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from operational activities. Derivative financial instruments are not used for trading purposes. However, derivatives do not qualify for hedge accounting are accounted for as trading instruments.

### **(d) Hedging**

#### *Hedge of foreign currency*

The Group has a policy to mitigate the foreign exchange risk by entering into forward exchange contracts covering foreign currency monetary transactions. In this regard, all monetary transactions are translated to Thai Baht at the rates prevailing at the reporting date, adjusted by net receivables/payables arising from the related forward exchange contracts and the remaining deferred forward premium/discount. The related forward premium/discount is recorded as income/expense over the forward contract term. The amortised forward premium/discount and gains/losses on the forward exchange contracts covering foreign currency monetary transactions are offset against the related exchange losses or gains on the foreign currency monetary transactions being hedged.





# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of cash and cash equivalent for the purpose of the statement of cash flows.

Deposits at financial institution that have a restriction of use are presented separately as “Restricted fixed deposits at financial institution” under “Other non-current assets” in the statement of financial position.

### **(f) 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.

### **(g) Inventories**

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

Raw materials, packing materials and supplies are calculated using first-in, first-out method. Work in progress and finished goods are calculated using 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.

### **(h) Investments**

#### *Investments in subsidiaries and associates*

Investments in subsidiaries and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

#### *Investments in mutual fund and equity securities*

Investments in mutual fund which are marketable securities, other than those securities held for trading or intended to be held to maturity, 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, are recognised directly in equity. Impairment losses 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. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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

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





# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *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.

### **(i) 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 less accumulated depreciation and impairment losses.

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.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

Investment property	5 to 20 years
---------------------	---------------

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

#### *Recognition and measurement*

#### *Owned assets*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, 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.

Any 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 in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Machinery and equipment and transportation equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

### *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. Land was reappraised every three years.

Any increase in value, on revaluation, is recognised in other comprehensive income and presented in "Revaluation surplus" 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.

### *Subsequent costs*

The cost of replacing a part of an item of 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 plant and equipment are recognised in profit or loss as incurred.

### *Depreciation*

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

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

Land improvements	20 years
Buildings and improvements	5 to 20 years
Freezing buildings and equipment	5 to 20 years
Prawn pond and improvements	5 and 20 years
Machinery and equipment	5 to 20 years
Electrical and water systems	5 to 20 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	3 and 5 years

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

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



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### **(k) Intangible assets**

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

#### *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, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is based on the cost of the asset.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, 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:

Computer software	3 and 10 years
-------------------	----------------

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

### **(l) Leasehold right**

Leasehold right is stated at cost less accumulated amortisation.

#### *Amortisation*

Leasehold right is charged to profit or loss on a straight-line basis over the term of lease period of 30 years.

### **(m) Impairment**

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

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had 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.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *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 assets' value in use and fair value less costs 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.

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

Interest-bearing liabilities are stated at cost.

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

Trade and other accounts payable are stated at cost.

### **(p) Employee benefits**

#### *Contribution plan*

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

#### *Defined benefit plans*

The Group's net obligation in respect of 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 by a qualified actuary using the projected unit credit method.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in other comprehensive income. 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. 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 recognized in profit or loss in the period in which they arise.

### *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.

## **(q) 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.

## **(r) Revenue**

Revenue excludes value added tax and is arrived at after deduction of trade discounts.

### *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*



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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*

Interest income is recognised in profit or loss as it accrues.

### *Compensation income on exported goods*

Compensation income on exported goods is recognised as income when sales are recognised, delivery has taken place and transfer of risks and rewards has been completed.

## **(s) 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.

## **(t) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, 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.

## **(u) 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 a business combination, or 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.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 temporary 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 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.

### (v) *Earnings per share*

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

### (w) *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.

## 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 or joint 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.





# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Relationships with subsidiaries and associates are described in notes 10 and 11. Relationship with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai	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.
Nichirei Foods Inc.	Japan	Shareholder of a subsidiary
Nichirei Australia Pty, Ltd.	Australia	Shareholding by Nichirei Foods Inc.
Nichirei Foods U.S.A. Inc.	U.S.A.	Shareholding by Nichirei Foods Inc.
Nichirei Fresh Inc.	Japan	Shareholding by Nichirei Foods Inc.
Nichirei Suco Inc.	Japan	Shareholding by Nichirei Foods Inc.
Nichirei Europe S.A.	Netherlands	Shareholding by Nichirei Foods Inc.
GFPT Nichirei (Thailand) Company Limited	Thailand	Shareholding by Nichirei Foods Inc.
Nichirei Suco Vietnam Company Limited	Vietnam	Shareholding by Nichirei Foods Inc.
SCG Nichirei Logistics Company Limited	Thailand	Shareholding by Nichirei Foods Inc.
Pokai Holdings Company Limited	Thailand	Shareholding by Vongvadhanaroj family and joint director

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Sales of goods	Cost plus margin
Purchases of raw materials and goods	Prices are determined based on the terms and conditions in normal business comparable to those of non-related parties
Interest income and expense	Based on interest rate of bank
Dividend income	The declared amount
Management, selling and marketing assistance income	Contractually agreed prices
Technical assistance fee	Contractually agreed prices
Management assistance fee	Contractually agreed prices
Marketing support fee	Contractually agreed prices
Guarantee income	0.5% of guarantee amount for short-term loan and 0.5% of outstanding balance of long-term loan
Labor cost	Contractually agreed prices
Sale of property, plant and equipment	Net book value plus margin
Sale of intangible assets	Net book value plus margin
Rental expense	Contractually agreed prices
Key management personnel compensation	As defined by the Nomination and Remuneration Committee and the Company's policy





# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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

Year ended 31 December	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
<b>Subsidiaries</b>				
Sales of goods	-	-	288,101	20,367
Dividend income	-	-	233,461	240,108
Management, selling and marketing assistance income	-	-	32,703	21,602
Guarantee income	-	-	6,767	672
Labor cost	-	-	23,315	5,382
Purchases of raw materials and goods	-	-	64,268	277,456
Storage warehouse expense	-	-	3,554	1,605
Rental expense	-	-	3,537	-
Sale of property, plant and equipment	-	-	21,387	131,033
Sale of intangible assets	-	-	706	-
<b>Associates</b>				
Shares of profit (loss) of associates	417	(159)	-	-
Interest expense	112	47	-	-
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term benefits	26,522	47,129	24,067	44,669
Post-employment benefits	338	290	338	290
<b>Total key management personnel compensation</b>	<b>26,860</b>	<b>47,419</b>	<b>24,405</b>	<b>44,959</b>
<b>Other related parties</b>				
Sales of goods	4,026,485	4,013,824	122,708	159,157
Purchases of raw materials and goods	39,872	45,923	-	-
Technical assistance fee	19,557	18,478	-	-
Management assistance fee	4,583	4,917	-	-
Rental expense	1,798	1,300	899	1,300

In March 2017, a subsidiary (Surapon Nichirei Foods Company Limited) declared the payment of dividends totaling Baht 476.5 million (2016: Baht 461.0 million). Such dividend was paid to the Company of Baht 233.5 million (2016: Baht 225.9 million) and non-controlling interests of Baht 243.0 million (2016: Baht 235.1 million) in March and September 2017.

In December 2016, a subsidiary (Surat Seafoods Company Limited) declared the payment of dividends totaling Baht 15.0 million. Such dividend was paid to the Company of Baht 14.2 million and non-controlling interests of Baht 0.8 million in April 2017.

As at 31 December 2017, the Company had commitments for the purchase of investments of a subsidiary (Chantaburi Marine Farm Company Limited) which has not yet been called-up totaling Baht 6.8 million (31 December 2016: Baht 6.8 million).

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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

### *Trade accounts receivable - related parties*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	147,609	129
Other related parties	113,409	98,563	7,467	7,832
<b>Total</b>	<b>113,409</b>	<b>98,563</b>	<b>155,076</b>	<b>7,961</b>

The normal credit term granted to related parties of the Group ranges from 30 days to 75 days.

### *Other receivables - related parties*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	4,165	3,491
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,165</b>	<b>3,491</b>

### *Dividend receivable - related party*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiary	-	-	-	14,241
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,241</b>

### *Trade accounts payable - related parties*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	285	5,412
Other related parties	6,161	4,892	-	-
<b>Total</b>	<b>6,161</b>	<b>4,892</b>	<b>285</b>	<b>5,412</b>

### *Other payables - related parties*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	3,741	622
Other related parties	24,595	23,253	-	-
<b>Total</b>	<b>24,595</b>	<b>23,253</b>	<b>3,741</b>	<b>622</b>

### *Loan from related party*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>At call</b>				
Associate				
At 1 January	5,000	-	-	-
Increase	-	5,000	-	-
<b>At 31 December</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>-</b>

Interest rate  
2017 2016  
(% per annum)

2.25 2.25



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *Significant agreements with related parties*

On 7 October 1988, the Company entered into a sales agreement for main raw materials with a subsidiary (Surapon Nichirei Foods Company Limited) whereby the Company is the exclusive supplier of the main raw materials to such subsidiary at the agreed price which is close to the market price.

The Company has entered into management, selling and marketing assistance agreements with several subsidiaries for a period of one year, whereby the Company agreed to provide management assistance services to those subsidiaries. These agreements may be notified to terminate by either party giving 30 days advance written notices. Otherwise, these agreements shall be automatically renewed for successive periods of one year each. In consideration thereof, these subsidiaries agreed to pay management fees at the amounts prescribed in the agreements.

A subsidiary (Surapon Nichirei Foods Company Limited) has a technical support agreement with Nichirei Foods Inc. of Japan, whereby the latter provides technical know-how, and assistance including consultations in relation to the manufacture of certain products. Under this agreement, the subsidiary agrees to pay service fee at certain percentage of F.O.B. Bangkok port value for the export products to Japan except fritter, tempura shrimp, and frozen breaded. The agreement expired on 31 December 2002 and is automatically renewable for successive period of one year each unless either party notifies to terminate or amend the agreement one month prior to the due date.

On 10 July 1995, a subsidiary (Surapon Nichirei Foods Company Limited) entered into a management assistance agreement with Nichirei Foods Inc. of Japan, whereby the latter provides management and administration assistances to the subsidiary. Under the term of the agreement, the subsidiary agrees to pay service fee as specified in the agreement. This agreement is effective until terminated by either party by giving advance written notice.

A subsidiary (Surapon Nichirei Foods Company Limited) has a marketing support agreement with Nichirei Foods Inc. of Japan. Under the term of the agreement, the subsidiary agrees to pay service fee at certain percentage of F.O.B. Bangkok value for products sold to countries in North America area.

## 5 Cash and cash equivalents

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Cash on hand	254	239	70	100
Cash at banks - current accounts	16,174	38,609	6,679	2,055
Cash at banks - savings accounts	66,718	127,069	17,179	12,989
Cash at banks - fixed deposits	419,025	508,706	-	-
<b>Total</b>	<b>502,171</b>	<b>674,623</b>	<b>23,928</b>	<b>15,144</b>

## 6 Current investments

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Current investments</b>				
Investment in mutual fund	-	31,151	-	1,200
<b>Total</b>	<b>-</b>	<b>31,151</b>	<b>-</b>	<b>1,200</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Movements during the years ended 31 December of investment in mutual fund - available for sale were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Investment in mutual fund</b>				
At 1 January	31,151	109,304	1,200	45,315
Purchases during the year	135,000	196,900	135,000	167,000
Sales during the year	(166,151)	(275,066)	(136,200)	(211,122)
Valuation adjustment	-	13	-	7
<b>At 31 December</b>	<b>-</b>	<b>31,151</b>	<b>-</b>	<b>1,200</b>

## 7 Trade accounts receivable

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Related parties	4	113,409	98,563	155,076	7,961
Other parties		120,766	128,866	6,610	88,431
<b>Total</b>		<b>234,175</b>	<b>227,429</b>	<b>161,686</b>	<b>96,392</b>
Less allowance for doubtful accounts		-	(700)	-	(700)
<b>Net</b>		<b>234,175</b>	<b>226,729</b>	<b>161,686</b>	<b>95,692</b>
Reversal of doubtful debts expenses for the year		700	-	700	-

Aging analyses for trade accounts receivable were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	113,313	98,217	78,243	7,961
Overdue:				
Less than 30 days	-	321	37,967	-
Over 30 days to 60 days	-	-	38,866	-
Over 60 days to 90 days	-	-	-	-
Over 90 days	96	25	-	-
	<b>113,409</b>	<b>98,563</b>	<b>155,076</b>	<b>7,961</b>
<b>Other parties</b>				
Within credit terms	93,999	107,967	6,583	67,705
Overdue:				
Less than 30 days	25,363	20,370	9	20,197
Over 30 days to 60 days	1,043	239	-	239
Over 60 days to 90 days	301	12	-	12
Over 90 days	60	278	18	278
	<b>120,766</b>	<b>128,866</b>	<b>6,610</b>	<b>88,431</b>
Less allowance for doubtful accounts	-	(700)	-	(700)
	<b>120,766</b>	<b>128,166</b>	<b>6,610</b>	<b>87,731</b>
<b>Net</b>	<b>234,175</b>	<b>226,729</b>	<b>161,686</b>	<b>95,692</b>

The normal credit term granted by the Group ranges from 30 days to 75 days.

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 8 Other receivables

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
<b>Related parties</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4,165</b>	<b>3,491</b>
<b>Other parties</b>					
Value added tax receivable		36,917	41,694	1,741	-
Forward contract receivable		6,164	9,804	78	984
Other accounts receivable, net		5,373	2,942	61	480
Advance payment for goods		994	2,861	994	2,861
Prepaid expenses		3,638	2,654	2,049	1,437
Accrued income		483	938	177	628
Others		7,163	3,376	5,651	1,694
		<b>60,732</b>	<b>64,269</b>	<b>10,751</b>	<b>8,084</b>
<b>Total</b>		<b>60,732</b>	<b>64,269</b>	<b>14,916</b>	<b>11,575</b>

### 9 Inventories

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<i>(in thousand Baht)</i>				
Finished goods	237,795	246,873	13,445	95,820
Work in progress	91,737	66,831	9,675	33,859
Raw materials	103,684	137,412	57,703	83,943
Packing materials and supplies	39,935	36,350	8,396	10,354
Goods in transit	3,508	15,317	1,329	15,317
<b>Total</b>	<b>476,659</b>	<b>502,783</b>	<b>90,548</b>	<b>239,293</b>
Less allowance for decline in value of inventories	(46,260)	(10,231)	(4,050)	(4,099)
<b>Net</b>	<b>430,399</b>	<b>492,552</b>	<b>86,498</b>	<b>235,194</b>

### 10 Investments in associates

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
At 1 January		23,299	23,458	17,550	17,550
Share of net profit (loss) of investments - equity method	4	417	(159)	-	-
Disposal		(1,418)	-	(200)	-
Transfer to other long-term investments	13	(1,419)	-	(200)	-
At 31 December		20,879	23,299	17,150	17,550



## Notes to the Financial Statements

### Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Share of net profit (loss) of investments – equity method was computed based on the financial statements of associates prepared by management.

#### *Disposal*

On 6 December 2017, the Company sold 10% of its 20% interest in the issued and paid-up capital of Independent Consultant Company Limited, an associated company, at a selling price of Baht 2 million. Independent Consultant Company Limited was no longer an associated company of the Company as at 31 December 2017. So as at 31 December 2017 such investment was presented as other long-term investment (See note 13). The Company recognised a gain from sale of Baht 0.58 million in consolidated financial statements and Baht 1.8 million in separate financial statements, respectively, in the statement of comprehensive income for the year ended 31 December 2017.

## Notes to the Financial Statements

**Surapon Foods Public Company Limited and its Subsidiaries**

For the year ended 31 December 2017

Investments in associates as at 31 December 2017 and 2016, and dividend income from those investments for the years then ended were as follows:

Type of business	Country of incorporation	Ownership interest	Consolidated financial statements											
			Paid-up capital		Cost		Equity method		Impairment		At equity - net		Dividend income	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
(in thousand Baht)														
(%)														
<b>Associates</b>														
BIC Marine Resources Development Company Limited	Thailand	50	50	94,400	50,950	20,879	20,400	-	-	20,879	20,400	-	-	
Independent Consultant Company Limited	Thailand	-	20	2,000	-	400	2,899	-	-	-	2,899	-	-	
<b>Total</b>					<b>50,950</b>	<b>51,350</b>	<b>20,879</b>	<b>23,299</b>	<b>-</b>	<b>-</b>	<b>20,879</b>	<b>23,299</b>	<b>-</b>	



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

		Separate financial statements											
Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
(in thousand Baht)													
<i>Associates</i>													
Assets lessor and culturing prawn	Thailand	50	50	94,400	94,400	50,950	50,950	(33,800)	(33,800)	17,150	17,150	-	-
Insurance													
Independent Consultant													
Company Limited	Thailand	-	20	2,000	2,000	-	400	-	-	-	400	-	-
<b>Total</b>						<b>50,950</b>	<b>51,350</b>	<b>(33,800)</b>	<b>(33,800)</b>	<b>17,150</b>	<b>17,550</b>	<b>-</b>	<b>-</b>

None of the Group's associates are publicly listed and consequently do not have published price quotations.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### Associates

The following table summarises the financial information of the associates as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies:

	BJC Marine Resources Development Company Limited		Independent Consultant Company Limited	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Revenue	1,420	1,284	19,245	31,083
Profit (loss) from continuing operations	958	838	(310)	(2,880)
Total comprehensive income (100%)	958	838	(310)	(2,880)
Percentage hold	50	50	20	20
<b>Group's share of total comprehensive income</b>	<b>479</b>	<b>418</b>	<b>(62)</b>	<b>(577)</b>
Current assets	16,452	15,334	-	68,511
Non-current assets	25,947	26,200	-	17,762
Current liabilities	(641)	(734)	-	(66,336)
Non-current liabilities	-	-	-	(5,426)
Net assets (100%)	41,758	40,800	-	14,511
Percentage hold	50	50	-	20
Group's share of net assets	20,879	20,400	-	2,899
Carrying amount of interest in associates	20,879	20,400	-	2,899

## 11 Investments in subsidiaries

	Separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	1,153,909	867,710
Acquisitions	-	286,199
Less impairment losses	(423,432)	(423,432)
<b>At 31 December</b>	<b>730,477</b>	<b>730,477</b>

On 10 November 2016, a wholly-owned subsidiary (Surapon Supreme Foods Company Limited (Formerly "Punpin Company Limited")), call-up additional share capital from the Company amounting to Baht 29.8 million (600,000 shares, at Baht 49.75 per share). In addition, such subsidiary registered the increase of the share capital from Baht 60 million (600,000 shares, of Baht 100 par value) to Baht 286.4 million (2,863,500 shares, of Baht 100 par value). The Company paid up for the increase of share capital amounting to Baht 56.6 million (2,263,500 shares, of Baht 25 per share) in November 2016 and paid up the remaining of the increase share capital amounting to Baht 169.8 million (2,263,500 shares, of Baht 75 per share) in December 2016.

On 22 December 2016, the Company invested 100% shareholding in Surapon Finest Company Limited amounting to Baht 30 million (299,997 shares of Baht 100 per share).



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Investments in subsidiaries as at 31 December 2017 and 2016, and dividend income from those investments for the years then ended were as follows:

Type of business	Separate financial statements												
	Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
	(in thousand Baht)												
Subsidiaries													
Surapon Supreme Foods	100	100	286,350	286,350	286,349	286,349	(18,692)	(18,692)	267,657	267,657	-	-	
	100	100	30,000	30,000	30,000	30,000	-	-	30,000	30,000	-	-	
Surapon Finest Company Limited	100	100	79,590	79,590	281,807	281,807	(203,000)	(203,000)	78,807	78,807	-	-	
	95	95	40,000	40,000	79,949	79,949	-	-	79,949	79,949	-	14,241	
Surapon Aquaculture Company Limited	95	95	21,250	21,250	201,740	201,740	(201,740)	(201,740)	-	-	-	-	
	75	75	300,000	300,000	224,999	224,999	-	-	224,999	224,999	-	-	
Surapon Nichirei Foods Company Limited	49	49	100,000	100,000	49,065	49,065	-	-	49,065	49,065	233,461	225,867	
	Total			1,153,909			1,153,909			233,461			240,108

The Company has de facto control over Surapon Nichirei Foods Company Limited.

All subsidiaries were incorporated in Thailand.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 12 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has a material non-controlling interest, before any intra-group eliminations:

	31 December 2017			Total
	Surapon Nichirei Foods Company Limited	Other individually immaterial subsidiaries	Intra-group eliminations	
	<i>(in thousand Baht)</i>			
Non-controlling interest percentage	51			
Current assets	772,662			
Non-current assets	649,252			
Current liabilities	(291,824)			
Non-current liabilities	(90,799)			
<b>Net assets</b>	<b>1,039,291</b>			
Carrying amount of non-controlling interest	527,225	61,583	3,576	592,384
Revenue	4,105,746			
Profit	416,813			
Other comprehensive income	-			
<b>Total comprehensive income</b>	<b>416,813</b>			
Profit allocated to non-controlling interest	212,595	(12,772)	3,576	203,399
Other comprehensive income allocated to non-controlling interest	-	169	-	169
Cash flows from operating activities	567,835			
Cash flows from investing activities	(46,045)			
Cash flows from financing activities (dividends to non-controlling interest: Baht 243.0 million)	(666,794)			
<b>Net decrease in cash and cash equivalents</b>	<b>(145,004)</b>			



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	31 December 2016			Total
	Surapon Nichirei Foods Company Limited	Other individually immaterial subsidiaries	Intra-group eliminations	
	<i>(in thousand Baht)</i>			
Non-controlling interest percentage	51			
Current assets	909,713			
Non-current assets	743,692			
Current liabilities	(450,353)			
Non-current liabilities	(104,074)			
<b>Net assets</b>	<b>1,098,978</b>			
Carrying amount of non-controlling interest	558,459	74,136	(740)	631,855
Revenue	4,007,984			
Profit	618,107			
Other comprehensive income	(13,793)			
<b>Total comprehensive income</b>	<b>604,314</b>			
Profit allocated to non-controlling interest	315,235	(7,737)	(740)	306,758
Other comprehensive income allocated to non-controlling interest	(7,035)	(330)	-	(7,365)
Cash flows from operating activities	793,095			
Cash flows from investing activities	(61,724)			
Cash flows from financing activities (dividends to non-controlling interest: Baht 235.1 million)	(520,822)			
<b>Net increase in cash and cash equivalents</b>	<b>210,549</b>			



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 13 Other long-term investments

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
At 1 January		16,098	16,098	16,098	16,098
Transfer from investments in associates	10	1,419	-	200	-
Gain from remeasuring to fair value		581	-	-	-
Less impairment losses		(16,098)	(16,098)	(16,098)	(16,098)
<b>At 31 December</b>		<b>2,000</b>	<b>-</b>	<b>200</b>	<b>-</b>

#### *Reclassification from associate*

As described in note 10, on 6 December 2017, the Company sold 10% of its investment in Independent Consultant Company Limited, reducing the Company's total interest in Independent Consultant Company Limited to 10%. As at 31 December 2017, investment in Independent Consultant Company Limited became to other long-term investment.

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Other long-term investments as at 31 December 2017 and 2016, and dividend income from those investments for the years then ended were as follows:

Type of business		Consolidated financial statements											
		Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		(in thousand Baht)											
Palm oil producer		6.0	6.0	250,000	250,000	15,000	15,000	(15,000)	(15,000)	-	-	-	-
In Arm Group Company Limited		10.0	10.0	10,000	10,000	1,000	1,000	(1,000)	(1,000)	-	-	-	-
Shrimp Culture Research and Development Company Limited		0.4	0.4	30,000	30,000	98	98	(98)	(98)	-	-	-	-
Insurance consulting		10.0	-	2,000	2,000	2,000	-	-	-	2,000	-	-	-
						18,098	16,098	(16,098)	(16,098)	2,000	-	-	-

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 14 Investment properties

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
<b>Cost</b>				
At 1 January	326,106	220,944	5,000	5,000
Transfers from property, plant and equipment	-	105,370	-	-
Disposals	-	(208)	-	-
<b>At 31 December</b>	<b>326,106</b>	<b>326,106</b>	<b>5,000</b>	<b>5,000</b>
<b>Accumulated depreciation and impairment losses</b>				
At 1 January	200,844	126,028	-	-
Depreciation charge for the year	612	1,390	-	-
Transfers from property, plant and equipment	-	73,599	-	-
Disposals	-	(173)	-	-
<b>At 31 December</b>	<b>201,456</b>	<b>200,844</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>				
<b>At 1 January 2016</b>		<b>94,916</b>		<b>5,000</b>
<b>At 31 December 2016 and at 1 January 2017</b>	<b>125,262</b>	<b>125,262</b>	<b>5,000</b>	<b>5,000</b>
<b>At 31 December 2017</b>	<b>124,650</b>		<b>5,000</b>	

Investment properties comprise a number of commercial properties, plant and equipment of prawn farm that are leased to third parties and land held for future project. Each of the leases contains an initial periods of 2 and 3 years. These agreements are effective until terminated by either party by giving advance written notice as prescribed in the agreements.

In 2016, a subsidiary's land, buildings, machinery and equipment of prawn farm are leased to third parties for a period of 3 years. The agreement is effective until terminated by either party by giving advance written notice as prescribed in the agreement. Such assets with net book value of Baht 40.8 million were transferred from property, plant and equipment to investment properties of Baht 31.8 million and reversed related revaluation surplus of land under other components of equity of Baht 9.0 million.

Investment properties as at 31 December 2017 and 2016 were appraised by General Valuation and Consultants Company Limited, a firm of independent professional valuer, at open market values of land and replacement cost on an existing of constructions. The appraised value as shown in the appraiser's report in September 2015 was Baht 161.9 million for the consolidated financial statements and Baht 8.5 million for the separate financial statements.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### Measurement of fair value

#### *Fair value hierarchy*

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

The fair value measurement for investment properties of Baht 161.9 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

#### *Valuation techniques and significant unobservable inputs*

Type of asset	Valuation technique
Land	Market Comparison Approach
Constructions	Cost approach; estimating current cost to replace the existing asset, called replacement cost, deduct depreciated replacement cost which is from physical depreciation, functional depreciation and economic obsolescence depreciation to obtain value at appraisal date.

The significant unobservable inputs used in measuring the fair value of investment properties is quoted prices and the purchasing and selling price of comparable investment properties, adjusted with other different factors.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 15 Property, plant and equipment

#### Consolidated financial statements

	Land and improvements	Buildings and improvements	Freezing buildings and equipment	Prawn pond and improvements	Machinery and equipment	Electrical and water systems	Transportation equipment	Furniture, fixtures and office equipment	Assets under construction and installation	Total
<i>(in thousand Baht)</i>										
<b>Revaluation</b>										
At 1 January 2016	576,113	-	-	-	-	-	-	-	-	576,113
Transfers to investment properties	(29,491)	-	-	-	-	-	-	-	-	(29,491)
Reversal of surplus on revaluation	(9,009)	-	-	-	-	-	-	-	-	(9,009)
<b>At 31 December 2016</b>	<b>537,613</b>									<b>537,613</b>
<b>and 1 January 2017</b>	<b>537,613</b>									<b>537,613</b>
<b>At 31 December 2017</b>	<b>537,613</b>									<b>537,613</b>
<b>Cost</b>										
At 1 January 2016	158,428	611,175	217,560	23,858	1,934,529	272,783	46,259	201,852	127,294	3,593,738
Additions	435	3,907	1,046	-	69,691	2,630	9,065	13,689	394,117	494,580
Transfers	-	24,832	203,502	-	188,452	32,253	-	8,115	(463,125)	(5,971)
Disposals	(97)	(6,403)	(771)	-	(77,252)	(6,407)	(8,354)	(4,941)	-	(104,225)
Transfers to investment properties	(238)	(11,941)	-	(23,858)	(16,433)	(21,931)	(710)	(768)	-	(75,879)
<b>At 31 December 2016</b>	<b>158,528</b>	<b>621,570</b>	<b>421,337</b>	<b>-</b>	<b>2,098,987</b>	<b>279,328</b>	<b>46,260</b>	<b>217,947</b>	<b>58,286</b>	<b>3,902,243</b>
<b>and 1 January 2017</b>	<b>158,528</b>	<b>621,570</b>	<b>421,337</b>	<b>-</b>	<b>2,098,987</b>	<b>279,328</b>	<b>46,260</b>	<b>217,947</b>	<b>58,286</b>	<b>3,902,243</b>
Additions	-	12,653	3,170	-	73,042	2,941	11,336	16,153	468,558	587,853
Transfers	-	56,413	124,333	-	206,466	26,712	-	6,882	(422,613)	(1,807)
Disposals	-	(10,182)	(30,641)	-	(184,076)	(7,755)	(1,463)	(14,394)	-	(248,511)
<b>At 31 December 2017</b>	<b>158,528</b>	<b>680,454</b>	<b>518,199</b>	<b>-</b>	<b>2,194,419</b>	<b>301,226</b>	<b>56,133</b>	<b>226,588</b>	<b>104,231</b>	<b>4,239,778</b>



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### Consolidated financial statements

	Land and improvements	Buildings and improvements	Freezing buildings and equipment	Prawn pond and improvements	Machinery and equipment	Electrical and water systems	Transportation equipment	Furniture, fixtures and office equipment	Assets under construction and installation	Total
<i>(in thousand Baht)</i>										
<b>Accumulated depreciation and impairment losses</b>										
<b>Cost</b>										
At 1 January 2016	34,396	408,746	161,522	23,764	1,484,896	180,125	33,577	175,275	-	2,502,301
Depreciation charge for the year	2,057	24,279	10,922	20	154,948	11,652	5,344	11,328	-	220,550
Disposals	(85)	(5,274)	(771)	-	(63,439)	(5,955)	(8,354)	(4,835)	-	(88,713)
Transfers to investment properties	-	(11,892)	-	(23,784)	(14,819)	(21,762)	(649)	(693)	-	(73,599)
<b>At 31 December 2016</b>										
At 1 January 2017	36,368	415,859	171,673	-	1,561,586	164,060	29,918	181,075	-	2,560,539
Depreciation charge for the year	1,524	20,752	15,875	-	162,224	11,887	6,108	14,325	-	232,695
Impairment losses	-	269	-	-	8,775	-	-	-	-	9,044
Disposals	-	(9,697)	(27,086)	-	(165,213)	(6,687)	(1,445)	(14,219)	-	(224,347)
<b>At 31 December 2017</b>	<b>37,892</b>	<b>427,183</b>	<b>160,462</b>	<b>-</b>	<b>1,567,372</b>	<b>169,260</b>	<b>34,581</b>	<b>181,181</b>	<b>-</b>	<b>2,577,931</b>
<b>Net book value</b>										
At 1 January 2016	700,145	202,429	56,038	94	374,705	92,658	2,257	26,327	127,294	1,581,947
Owned assets	-	-	-	-	74,928	-	10,425	250	-	85,603
Assets under finance leases	<b>700,145</b>	<b>202,429</b>	<b>56,038</b>	<b>94</b>	<b>449,633</b>	<b>92,658</b>	<b>12,682</b>	<b>26,577</b>	<b>127,294</b>	<b>1,667,550</b>
<b>At 31 December 2016 and 1 January 2017</b>										
Owned assets	659,773	205,711	249,664	-	474,916	115,268	7,086	36,784	58,286	1,807,488
Assets under finance leases	-	-	-	-	62,485	-	9,256	88	-	71,829
	<b>659,773</b>	<b>205,711</b>	<b>249,664</b>	<b>-</b>	<b>537,401</b>	<b>115,268</b>	<b>16,342</b>	<b>36,872</b>	<b>58,286</b>	<b>1,879,317</b>
<b>At 31 December 2017</b>										
Owned assets	658,249	253,271	357,737	-	593,080	131,966	1,452	45,407	104,231	2,145,393
Assets under finance leases	-	-	-	-	33,967	-	20,100	-	-	54,067
	<b>658,249</b>	<b>253,271</b>	<b>357,737</b>	<b>-</b>	<b>627,047</b>	<b>131,966</b>	<b>21,552</b>	<b>45,407</b>	<b>104,231</b>	<b>2,199,460</b>



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### Separate financial statements

	Land and improvements	Buildings and improvements	Freezing buildings and equipment	Machinery and equipment	Electrical and water systems	Transportation equipment	Furniture, fixtures and office equipment	Assets under construction and installation	Total
<i>(in thousand Baht)</i>									
<b>Revaluation</b>									
At 1 January 2016	297,965 (48,720)	-	-	-	-	-	-	-	297,965 (48,720)
Disposals		-	-	-	-	-	-	-	
At 31 December 2016 and 1 January 2017	249,245	-	-	-	-	-	-	-	249,245
At 31 December 2017	249,245	-	-	-	-	-	-	-	249,245
<b>Cost</b>									
At 1 January 2016	11,502	215,767	112,757	533,038	69,144	13,926	56,915	4,108	1,017,157
Additions	-	2,158	445	33,407	2,080	1,600	3,572	48,764	92,026
Transfers	-	9,777	-	35,148	276	-	384	(45,585)	-
Disposals	(97)	(98,208)	(25,568)	(133,920)	(33,911)	(5)	(6,244)	-	(297,953)
At 31 December 2016 and 1 January 2017	11,405	129,494	87,634	467,673	37,589	15,521	54,627	7,287	811,230
Additions	-	5,472	651	17,750	1,330	9,803	3,446	122,494	160,946
Transfers	-	19,078	-	29,362	4,499	-	-	(54,746)	(1,807)
Disposals	-	(13,552)	(26,803)	(115,515)	(7,523)	(3,845)	(10,714)	-	(177,752)
At 31 December 2017	11,405	140,692	61,482	399,270	35,895	21,479	47,359	75,035	792,617

## Notes to the Financial Statements

**Surapon Foods Public Company Limited and its Subsidiaries**

For the year ended 31 December 2017

Separate financial statements										
	Land and improvements	Buildings and improvements	Freezing buildings and equipment	Machinery and equipment	Electrical and water systems	Transportation equipment	Furniture, fixtures and office equipment	Assets under construction and installation	Total	
	(in thousand Baht)									
Accumulated depreciation and impairment losses										
	Cost									
	At 1 January 2016	9,500	166,613	86,878	397,912	54,253	8,341	51,314	-	774,811
	Depreciation charge for the year	206	8,237	2,827	32,203	2,665	1,420	2,752	-	50,310
	Disposals	(84)	(66,659)	(19,966)	(89,803)	(27,191)	(5)	(6,011)	-	(209,719)
At 31 December 2016 and 1 January 2017										
	At 1 January 2017	9,622	108,191	69,739	340,312	29,727	9,756	48,055	-	615,402
	Depreciation charge for the year	203	5,254	2,587	25,531	1,857	2,032	2,401	-	39,865
	Impairment losses	-	-	-	4,257	-	-	-	-	4,257
	Disposals	-	(11,095)	(23,884)	(85,313)	(6,482)	(718)	(9,390)	-	(136,882)
At 31 December 2017	9,825	102,350	48,442	284,787	25,102	11,070	41,066	-	522,642	
Net book value										
	At 1 January 2016									
	Owned assets	299,967	49,154	25,879	133,557	14,891	1,080	5,601	4,108	534,237
	Assets under finance leases	-	-	-	1,569	-	4,505	-	-	6,074
		299,967	49,154	25,879	135,126	14,891	5,585	5,601	4,108	540,311
At 31 December 2016 and 1 January 2017										
	Owned assets	251,028	21,303	17,895	110,765	7,862	847	6,572	7,287	423,559
	Assets under finance leases	-	-	-	16,596	-	4,918	-	-	21,514
		251,028	21,303	17,895	127,361	7,862	5,765	6,572	7,287	445,073
At 31 December 2017										
	Owned assets	250,825	38,342	13,040	103,122	10,793	835	6,293	75,035	498,285
	Assets under finance leases	-	-	-	11,361	-	9,574	-	-	20,935
	250,825	38,342	13,040	114,483	10,793	10,409	6,293	75,035	519,220	

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

The land stated at appraised value is detailed as follows:

Company	Latest appraised year	Revaluation method	Consolidated financial statements		Separate financial statements	
			Appraised value	Cost model	Appraised value	Cost model
			(in thousand Baht)			
Surapon Foods Public Company Limited	2015	Market comparison method	249,245	14,950	249,245	14,950
Surat Seafood Company Limited	2015	Market comparison method	16,000	1,546	-	-
Surapon Nichirei Foods Company Limited	2015	Market comparison method	223,648	43,765	-	-
Surapon Supreme Foods Company Limited (Formerly “Punpin Company Limited”)	2015	Market comparison method	48,720	25,970	-	-
			537,613	86,231	249,245	14,950

During the year 2015, the value of the Group's land was reappraised by General Valuation and Consultants Company Limited, an independent professional valuer, by applying market comparison approach as shown in the appraiser's reports dated during 20 to 28 August 2015. The Group recorded its land at the reappraised value, with a revaluation surplus of land net of income tax for the Group and the Company amounting to Baht 61.0 million and Baht 38.1 million, respectively, in the account "Revaluation of assets", under other components of equity under "Equity" in the statement of financial position.

In June 2017, the Company sold machinery and equipment located at Bangna to Surapon Finest Company Limited, a subsidiary, at a selling price of Baht 14.6 million. A gain on sale of Baht 1.7 million was recorded in the statement of comprehensive income for the year ended 31 December 2017.

In December 2016, the Company sold land, buildings, machinery and equipment located at Kabinburi factory which has appraisal value amounting to Baht 123.7 million to Surapon Supreme Foods Company Limited, a subsidiary, at a selling price of Baht 131.0 million. A gain on sale of Baht 7.3 million was recorded in the statement of comprehensive income for the year ended 31 December 2016 and revaluation surplus of assets sold amounting to Baht 22.8 million was transferred directly to retain earnings.

Capitalised borrowing costs relating to the acquisition of machinery and the construction of the new factory of the Group and the Company amounted to Baht 3.1 million (2016: Baht 1.1 million) and Baht 0.6 million (2016: nil), respectively, with capitalisation rates ranging from 1.9% to 3.5% per annum (2016: ranging from 2.1% to 4.3% per annum).

The gross carrying amount of fully depreciated plant and equipment that was still in use as at 31 December 2017 amounted to Baht 1,581.1 million for the Group and Baht 356.2 million for the Company (2016: Baht 1,519.6 million for the Group and Baht 434.9 million for the Company).



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

The Company and subsidiaries are committed to comply with certain conditions and restrictions prescribed in the long-term loan agreements, such as additional mortgages of land and buildings are not allowed (see note 19).

### Measurement of fair value

#### *Fair value hierarchy*

The fair value of land was determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provide the fair value of the Group's land portfolio every three year basis.

The fair value measurement for land of Baht 537.6 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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

The external independent valuer applied the Market Comparison Approach to measure fair value of land.

The significant unobservable inputs used in measuring the fair value of land is quoted prices and the purchasing and selling price of comparable land, adjusted with other different factors

## 16 Intangible assets

	<b>Consolidated financial statements</b>
	<u>Computer software</u>
	<i>(in thousand Baht)</i>
<b><i>Cost</i></b>	
At 1 January 2016	36,018
Additions	1,088
Transfers from assets under construction and installation	5,971
<b>At 31 December 2016 and 1 January 2017</b>	<b>43,077</b>
Additions	10,697
Transfers from assets under construction and installation	630
Disposals	(292)
<b>At 31 December 2017</b>	<b>54,112</b>
<b><i>Accumulated amortisation</i></b>	
At 1 January 2016	27,245
Amortisation charge for the year	2,699
<b>At 31 December 2016 and 1 January 2017</b>	<b>29,944</b>
Amortisation charge for the year	3,311
Disposals	(160)
<b>At 31 December 2017</b>	<b>33,095</b>
<b><i>Net book value</i></b>	
At 1 January 2016	8,773
<b>At 31 December 2016 and 1 January 2017</b>	<b>13,133</b>
<b>At 31 December 2017</b>	<b>21,017</b>



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	<b>Separate financial statements</b>
	<b>Computer software</b>
	<i>(in thousand Baht)</i>
<b>Cost</b>	
At 1 January 2016	27,249
Additions	242
<b>At 31 December 2016 and 1 January 2017</b>	<b>27,491</b>
Additions	418
Transfers from assets under construction and installation	630
Disposals	(1,019)
<b>At 31 December 2017</b>	<b>27,520</b>
<b>Accumulated amortisation</b>	
At 1 January 2016	23,179
Amortisation charge for the year	1,537
<b>At 31 December 2016 and 1 January 2017</b>	<b>24,716</b>
Amortisation charge for the year	580
Disposals	(183)
<b>At 31 December 2017</b>	<b>25,113</b>
<b>Net book value</b>	
At 1 January 2016	<b>4,070</b>
<b>At 31 December 2016 and 1 January 2017</b>	<b>2,775</b>
<b>At 31 December 2017</b>	<b>2,407</b>

### 17 Deferred tax

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

	<b>Consolidated financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Total</b>	30,750	53,058	(91,856)	(91,872)
Set off of tax	(21,598)	(36,284)	21,598	36,284
<b>Deferred tax assets (liabilities)</b>	<b>9,152</b>	<b>16,774</b>	<b>(70,258)</b>	<b>(55,588)</b>

	<b>Separate financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Total</b>	8,162	23,210	(47,624)	(47,181)
Set off of tax	(8,162)	(23,210)	8,162	23,210
<b>Deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>(39,462)</b>	<b>(23,971)</b>



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Movements in deferred tax assets and liabilities during the years ended 31 December 2017 and 2016 were as follows:

	Consolidated financial statements		
	(Charged) / Credited to:		
	At 1 January 2017	Profit or loss Other comprehensive income	At 31 December 2017
	(in thousand Baht)		
<b>Deferred tax assets</b>			
Trade accounts receivable (allowance for doubtful accounts)	140	(140)	-
Other receivables (allowance for doubtful accounts)	67	378	445
Inventories (allowance for decline in value)	1,454	56	1,510
Investment properties (impairment losses)	4,491	-	4,491
Property, plant and equipment (depreciation gap)	236	71	307
Provision for employee benefit obligations	22,619	(1,104)	20,997
Tax loss carry forward	24,051	(21,051)	3,000
<b>Total</b>	<b>53,058</b>	<b>(21,790)</b>	<b>30,750</b>
<b>Deferred tax liabilities</b>			
Available-for-sale investments (valuation adjustment)	(4)	-	-
Property, plant and equipment (depreciation gap)	(297)	(624)	(921)
Property, plant and equipment (revaluation)	(90,276)	-	(90,276)
Unrealised gain on derivative	(1,295)	638	(657)
<b>Total</b>	<b>(91,872)</b>	<b>14</b>	<b>(91,854)</b>
<b>Net</b>	<b>(38,814)</b>	<b>(21,776)</b>	<b>(61,104)</b>





# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	Consolidated financial statements		
	(Charged) / Credited to:		
	At 1 January 2016	Profit or loss Other comprehensive income	At 31 December 2016
	(in thousand Baht)		
<b>Deferred tax assets</b>			
Trade accounts receivable (allowance for doubtful accounts)	140	-	140
Other receivables (allowance for doubtful accounts)	63	4	67
Inventories (allowance for decline in value)	666	788	1,454
Investment properties (impairment losses)	4,491	-	4,491
Property, plant and equipment (depreciation gap)	236	-	236
Provision for employee benefit obligations	19,045	(842)	22,619
Unrealised loss on derivative	264	(264)	-
Tax loss carry forward	26,981	(2,930)	24,051
<b>Total</b>	<b>51,886</b>	<b>(3,244)</b>	<b>53,058</b>
<b>Deferred tax liabilities</b>			
Available-for-sale investments (valuation adjustment)	(100)	-	(4)
Property, plant and equipment (depreciation gap)	(331)	34	(297)
Property, plant and equipment (revaluation)	(92,078)	-	(90,276)
Unrealised gain on derivative	(18)	(1,277)	(1,295)
<b>Total</b>	<b>(92,527)</b>	<b>(1,243)</b>	<b>(91,872)</b>
<b>Net</b>	<b>(40,641)</b>	<b>(4,487)</b>	<b>(38,814)</b>



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	At 1 January 2017	Separate financial statements (Charged) / Credited to:		At 31 December 2017
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<b>Deferred tax assets</b>				
Trade accounts receivable <i>(allowance for doubtful accounts)</i>	140	(140)	-	-
Other receivables <i>(allowance for doubtful accounts)</i>	67	378	-	445
Inventories <i>(allowance for decline in value)</i>	818	(8)	-	810
Provision for employee benefit obligations	10,664	(3,409)	(348)	6,907
Tax loss carry forward	11,521	(11,521)	-	-
<b>Total</b>	<b>23,210</b>	<b>(14,700)</b>	<b>(348)</b>	<b>8,162</b>
<b>Deferred tax liabilities</b>				
Available-for-sale investments <i>(valuation adjustment)</i>	(2)	-	2	-
Property, plant and equipment <i>(depreciation gap)</i>	(124)	(626)	-	(750)
Property, plant and equipment <i>(revaluation)</i>	(46,859)	-	-	(46,859)
Unrealised gain on derivative	(196)	181	-	(15)
<b>Total</b>	<b>(47,181)</b>	<b>(445)</b>	<b>2</b>	<b>(47,624)</b>
<b>Net</b>	<b>(23,971)</b>	<b>(15,145)</b>	<b>(346)</b>	<b>(39,462)</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	<div> <div>Separate financial statements</div> <div>(Charged) / Credited to:</div> </div>				
	At 1 January 2016	Profit or loss	Other comprehen sive income	Equity	At 31 December 2016
	(in thousand Baht)				
<b>Deferred tax assets</b>					
Trade accounts receivable (allowance for doubtful accounts)	140	-	-	-	140
Other receivables (allowance for doubtful accounts)	63	4	-	-	67
Inventories (allowance for decline in value)	502	316	-	-	818
Provision for employee benefit obligations	12,316	(2,139)	487	-	10,664
Unrealised loss on derivative	204	(204)	-	-	-
Tax loss carry forward	11,347	174	-	-	11,521
<b>Total</b>	<b>24,572</b>	<b>(1,849)</b>	<b>487</b>	<b>-</b>	<b>23,210</b>
<b>Deferred tax liabilities</b>					
Available-for-sale investments (valuation adjustment)	(56)	-	54	-	(2)
Property, plant and equipment (depreciation gap)	(143)	19	-	-	(124)
Property, plant and equipment (revaluation)	(51,409)	-	-	4,550	(46,859)
Unrealised gain on derivative	-	(196)	-	-	(196)
<b>Total</b>	<b>(51,608)</b>	<b>(177)</b>	<b>54</b>	<b>4,550</b>	<b>(47,181)</b>
<b>Net</b>	<b>(27,036)</b>	<b>(2,026)</b>	<b>541</b>	<b>4,550</b>	<b>(23,971)</b>

In 2017, Surapon Foods Public Company Limited incurred a tax loss of Baht 87.0 million, resulted in cumulative tax losses amounting to Baht 262.1 million. Such cumulative tax losses will expire in 2018–2022. Management estimates the probable of future taxable profits and ability of the Company to utilise those losses in the future to support the recognition of deferred tax assets and it is uncertain that future taxable profits would be available against which such tax losses can be utilised. Therefore, the Company had not recognised deferred tax assets from tax losses of the year 2017 and reversed the existing balance of deferred tax assets of tax loss carry forward. However, in the next financial year, additional deferred tax assets and a related income tax benefit of up to Baht 52.4 million maybe recognised if taxable profit is objective.

The Company's subsidiary, Surat Seafoods Company Limited, had tax losses, which will expire in 2018. The management revised its estimates of future taxable profits and considered the probability of future taxable profits and ability of the subsidiary to utilise those losses in the future. Such subsidiary recognised cumulative tax losses amounting to Baht 15.0 million (*tax impact: Baht 3.0 million*) which can be utilised in the future and reversed partial deferred tax assets of tax loss carry forward to be Baht 3.0 million.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 18 Other non-current assets

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Advance payment for fixed assets	6,611	37,349	5,420	-
Refundable deposits and others	8,435	5,813	5,365	3,727
Restricted fixed deposits at financial institution	2,000	2,000	-	-
Leasehold rights, net	1,332	1,561	1,332	1,561
Deferred charges	2,437	63	905	201
<b>Total</b>	<b>20,815</b>	<b>46,786</b>	<b>13,022</b>	<b>5,489</b>

#### (a) Leasehold right

This represented payment of leasehold right to the lessor. The Company has a lease agreement for building area with a local company. The lease agreement is for a period of 30 years, expiring in 2023.

#### (b) Restricted fixed deposits at financial institution

This represented fixed deposits at financial institution of a subsidiary with a local financial institution of Baht 2.0 million (2016: Baht 2.0 million), which has been pledged as collateral for bank guarantees issued by the said financial institution.

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 19 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
<b>Current</b>				
Short-term loans from financial institutions				
secured	137,000	37,000	-	-
unsecured	-	190,000	-	30,000
<b>Short-term loans from financial institutions</b>	<b>137,000</b>	<b>227,000</b>	<b>-</b>	<b>30,000</b>
Current portion of long-term loans from financial institutions				
secured	51,514	30,000	10,864	-
unsecured	-	576	-	576
<b>Current portion of long-term loans</b>	<b>51,514</b>	<b>30,576</b>	<b>10,864</b>	<b>576</b>
Loan from an associate				
unsecured	5,000	5,000	-	-
Current portion of finance lease liabilities	28,070	32,408	6,773	6,382
<b>Total current interest-bearing liabilities</b>	<b>221,584</b>	<b>294,984</b>	<b>17,637</b>	<b>36,958</b>
<b>Non-current</b>				
Long-term loans from financial institutions				
secured	430,350	195,000	-	-
unsecured	786	868	786	868
<b>Long-term loans</b>	<b>431,136</b>	<b>195,868</b>	<b>786</b>	<b>868</b>
Finance lease liabilities	22,411	38,414	10,413	14,512
<b>Total non-current interest-bearing liabilities</b>	<b>453,547</b>	<b>234,282</b>	<b>11,199</b>	<b>15,380</b>

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities, as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
Within one year	193,514	262,576	10,864	30,576
After one year but within five years	431,136	195,868	786	868
<b>Total</b>	<b>624,650</b>	<b>458,444</b>	<b>11,650</b>	<b>31,444</b>

As at 31 December 2017, short-term loans from financial institutions bore interest at rates ranging from 1.9% to 3.0% per annum (2016: ranging from 1.8% to 3.8% per annum).

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *Long-term loans from financial institutions*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Local financial institutions	482,650	226,444	11,650	1,444
Less current portion	(51,514)	(30,576)	(10,864)	(576)
<b>Net</b>	<b>431,136</b>	<b>195,868</b>	<b>786</b>	<b>868</b>

### **Long-term loans from financial institutions**

#### *Local financial institutions*

In July 2016, the Company entered into long-term loan agreement with a local financial institution for Baht 2.15 million. This loan bears interest based on MLR interest rate prescribed in the loan agreement. The loan is repayable in monthly installments of Baht 72,000 for each installment, commencing from May 2017 which will be fully paid in 39 months commencing from the first drawdown date. The Company is committed to comply with certain conditions and restrictions prescribed in the loan agreement. As at 31 December 2017, the Company drawdown such loan in fully amount.

In January 2016, a subsidiary entered into long-term loan agreement with a local financial institution for Baht 225 million. This loan bears interest based on MLR interest rate prescribed in the loan agreement. The loan is repayable in monthly installments of Baht 3.75 million for each installment, commencing from May 2017 which will be fully paid in 73 months commencing from the first drawdown date. The loan is collateralised by the Company and other shareholders of such subsidiary. The subsidiary is committed to comply with certain conditions and restrictions prescribed in the loan agreement. As at 31 December 2017, a subsidiary drawdown such loan in fully amount. However, in January 2018, a subsidiary requested to amend the loan agreement with financial institution to revise repayment schedule and repayment amount of each installment.

In August 2017, the Company entered into a long-term loan agreement with a local financial institution for loan facility of Baht 220 million. This loan bears interest based on MLR interest rate prescribed in the loan agreement. The loan is repayable in monthly installments totaling forty-eight installments which the first to the forty-seventh installment will be paid each installment of Baht 4.6 million and the remaining amount will be paid in the last installment. The first repayment of loan will be commencing in September 2018 and the loan should be fully paid within five years since the first drawdown date. The interest will be paid on monthly commencing from the last day of the drawdown month. The Company has to comply with certain conditions and restrictions prescribed in the loan agreement such as no land and building subjected to pledge, mortgage, lease or other right of retention affecting third parties have superficies over such land and buildings. As at 31 December 2017, the Company had undrawdown balance of loan of Baht 210 million.

In March 2017, a subsidiary entered into a long-term loan agreement with a local financial institution for loan facility of Baht 276 million. This loan bears interest based on MLR interest rate prescribed in the loan agreement. The loan is repayable every three-month period totaling twenty-four installments which the first to the twenty-third installment will be paid each installment of Baht 11.5 million and the remaining amount will be paid in the twenty-fourth installment which is the last installment. The first repayment of loan will be commencing in May 2018 and the loan should be fully paid within seven years since the first drawdown date. The interest will be paid on monthly commencing from the last day of the drawdown month. The loan is guaranteed by the Company. The subsidiary has to comply with certain conditions and restrictions prescribed in the loan agreement. As at 31 December 2017, the subsidiary drawdown such loan in fully amount. In August 2017, both parties agreed to

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

amend loan agreement from repayable every three-month period totaling twenty-four installments to monthly installment totaling seventy-two installments which the first to the seventy-first installment will be paid each installment of Baht 3.9 million and the remaining amount will be paid in the last installment. The first repayment of loan will be changed to commencing in April 2018.

As at 31 December 2017, unutilised credit facilities totalled Baht 3,852.0 million and U.S. Dollars 80.5 million for the Group and Baht 2,418.4 million and U.S. Dollars 30.8 million for the Company (2016: Baht 2,066.2 million and U.S. Dollars 16.9 million for the Group and Baht 1,300.5 million for the Company).

The Company and subsidiaries are committed to comply with certain conditions and restrictions prescribed in the loan agreements such as additional land and buildings are not allowed to mortgage, no authorised capital decrease (see note 15), etc.

The credit facilities of subsidiaries are principally collateralised by the Company and/or related companies.

### Finance lease liabilities

Finance lease liabilities as at 31 December were payable as follows:

Consolidated financial statements						
2017			2016			
Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	
(in thousand Baht)						
Within one year	29,837	(1,767)	28,070	34,803	(2,395)	32,408
After one year but within five years	23,531	(1,120)	22,411	39,965	(1,551)	38,414
<b>Total</b>	<b>53,368</b>	<b>(2,887)</b>	<b>50,481</b>	<b>74,768</b>	<b>(3,946)</b>	<b>70,822</b>

Separate financial statements						
2017			2016			
Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	
(in thousand Baht)						
Within one year	7,385	(612)	6,773	7,183	(801)	6,382
After one year but within five years	10,812	(399)	10,413	15,313	(801)	14,512
<b>Total</b>	<b>18,197</b>	<b>(1,011)</b>	<b>17,186</b>	<b>22,496</b>	<b>(1,602)</b>	<b>20,894</b>

As at 31 December 2017 and 2016, the Company and subsidiaries had entered into finance lease agreements with several local leasing companies to purchase vehicles, forklifts, machinery and equipment. Such lease agreements have terms expiring up to 2022, and bear interest at rates ranging from 2.89% to 42.35% per annum in 2017 (2016: ranging from 2.15% to 42.35% per annum). Most of the agreements are repayable in 48 installments and 60 installments starting from June 2013.

The ownership of the vehicles, forklifts, machinery and equipment purchased under finance lease agreements will be transferred to the Company and its subsidiaries when the last installments are made.

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 20 Trade accounts payable

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Related parties	4	6,161	4,892	285	5,412
Other parties		188,380	173,368	28,114	48,506
<b>Total</b>		<b>194,541</b>	<b>178,260</b>	<b>28,399</b>	<b>53,918</b>

### 21 Other payables

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
<b>Related parties</b>	4	<b>24,595</b>	<b>23,253</b>	<b>3,741</b>	<b>622</b>
<b>Other parties</b>					
Accrued operating expenses		40,867	35,543	5,051	14,512
Other payables		22,371	20,962	12,155	16,475
Asset payables		46,415	37,191	27,435	6,497
Accrued wage and bonus expenses		67,281	70,196	14,027	19,623
Retention payables		8,963	12,825	2,817	135
Others		17,547	28,586	6,621	21,145
		<b>203,444</b>	<b>205,303</b>	<b>68,106</b>	<b>78,387</b>
<b>Total</b>		<b>228,039</b>	<b>228,556</b>	<b>71,847</b>	<b>79,009</b>

### 22 Non-current provisions for employee benefits

		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
<b>Statement of financial position</b>					
<b>Non-current provisions for:</b>					
Post-employment benefits		117,841	119,574	33,961	52,573
Other long-term benefits		3,646	3,233	570	815
<b>Total</b>		<b>121,487</b>	<b>122,807</b>	<b>34,531</b>	<b>53,388</b>
<b>Statement of comprehensive income for the year ended 31 December</b>					
<b>Recognised in profit or loss:</b>					
Employee benefits		15,734	14,597	(8,527)	6,922
<b>Recognised in other comprehensive income:</b>					
Actuarial losses (gains) recognised in the year		(2,589)	22,083	(1,741)	2,438





# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### Defined benefit plan

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

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

Movement in the present value of the defined benefit obligations:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
At 1 January	122,807	109,530	53,388	64,381
<b>Included in profit or loss:</b>				
Current service cost	12,384	10,146	3,728	4,412
Interest on obligations	3,350	4,451	1,273	2,510
	15,734	14,597	5,001	6,922
Transfers to subsidiaries	-	-	(13,528)	-
	15,734	14,597	(8,527)	6,922
<b>Included in other comprehensive income:</b>				
Actuarial (gains) losses	(2,589)	22,083	(1,741)	2,438
<b>Other</b>				
Benefits paid	(14,465)	(23,403)	(8,589)	(20,353)
<b>At 31 December</b>	<b>121,487</b>	<b>122,807</b>	<b>34,531</b>	<b>53,388</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Demographic assumptions	(7,065)	(5,543)	(6,838)	(10,306)
Financial assumptions	(6,837)	18,796	(6,418)	10,749
Experience adjustment	11,313	8,830	11,515	1,995
<b>Total</b>	<b>(2,589)</b>	<b>22,083</b>	<b>(1,741)</b>	<b>2,438</b>

### Actuarial assumptions

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in percentage)</i>			
Discount rate	2.03 - 3.08	2.08 - 2.56	2.03 - 2.71	2.08 - 2.31
Future salary growth	0.84 - 7.36	0.84 - 7.36	2.17 - 5.91	4.59 - 6.58



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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

At 31 December 2017, the average duration of the defined benefit obligations was 11 years (2016:12 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 obligations by the amounts shown below:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	Increase	Decrease	Increase	Decrease
	<i>(in thousand Baht)</i>			
<b>As at 31 December 2017</b>				
Discount rate (0.5% movement)	(4,406)	4,521	(1,175)	1,242
Future salary growth (0.5% movement)	4,797	(4,557)	1,198	(1,146)
Employee turnover rate (0.5% movement)	(5,246)	(5,557)	(1,325)	1,401
<b>As at 31 December 2016</b>	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(4,822)	5,147	(2,148)	2,299
Future salary growth (0.5% movement)	4,879	(4,635)	2,185	(2,078)
Employee turnover rate (0.5% movement)	(5,324)	5,646	(2,399)	2,555

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.

## 23 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.

## 24 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.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### *Other components of equity*

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

The fair value changes in available-for-sale investments account within equity comprises the cumulative net change 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.

## 25 Segment information

The Group operates in a single line of business, namely the manufacturing and distribution of frozen seafood, finished and semi-finished frozen foods, which is an integrated line of product. As a result, management considers that the Group operates in a single line of business. Hence, all of revenue, operating profit and assets as reflected in these financial statements were derived from frozen seafood, finished and semi-finished frozen foods.

## 26 Other income

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
Income from sales of raw material scraps		55,016	48,216	643	1,012
Management, selling and marketing assistance income	4	-	-	32,703	21,602
Gain on disposal of fixed assets		565	4,375	-	8,276
Rental income		5,452	10,782	25,914	8,084
Others		10,673	10,375	15,954	10,939
<b>Total</b>		<b>71,706</b>	<b>73,748</b>	<b>75,214</b>	<b>49,913</b>

## 27 Distribution costs

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
Freight charges		104,795	116,455	8,087	21,875
Employee benefit expenses		59,413	68,163	35,810	58,000
Advertising and sales promotion expenses		19,155	22,026	16,895	22,026
Technical assistance fees	4	19,557	18,478	-	-
Others		38,579	52,952	26,026	46,880
<b>Total</b>		<b>241,499</b>	<b>278,074</b>	<b>86,818</b>	<b>148,781</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 28 Administrative expenses

Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Employee benefit expenses	166,071	151,799	97,609	101,774
Depreciation and amortisation	20,962	11,971	6,967	6,591
Loss from disposal of fixed assets	20,630	-	17,453	-
Impairment loss of assets	9,044	-	4,257	-
Management assistance fees	4,583	4,917	-	-
Others	102,552	40,972	24,501	25,187
<b>Total</b>	<b>323,842</b>	<b>209,659</b>	<b>150,787</b>	<b>133,552</b>

### 29 Employee benefit expenses

Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Salaries and wages	942,826	872,866	292,355	359,805
Post-employment and other long-term employee benefits	15,734	14,597	(8,527)	6,922
Others	127,061	128,193	39,740	56,955
<b>Total</b>	<b>1,085,621</b>	<b>1,015,656</b>	<b>323,568</b>	<b>423,682</b>

#### Contribution plan

In 2017, the contribution plan which comprise provident fund was established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at the rate of 2% of their basic salaries and by the Group at the rate of 2% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Manager.

### 30 Expenses by nature

Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Changes in inventories of finished goods and work in progress	15,828	(62,969)	(106,559)	(69,020)
Raw materials and consumables used	3,261,187	3,206,162	315,695	506,468
Employee benefit expenses	1,085,621	1,015,656	323,568	423,682
Depreciation	233,307	221,764	39,865	50,310
Amortisation	3,677	2,931	942	1,767
Others	845,206	897,718	596,567	748,869
<b>Total cost of sale of goods and rendering of services, distribution costs and administrative expenses</b>	<b>5,444,826</b>	<b>5,281,262</b>	<b>1,170,078</b>	<b>1,662,076</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 31 Finance costs

		Consolidated		Separate	
	Note	financial statements		financial statements	
		2017	2016	2017	2016
		(in thousand Baht)			
Interest expense:					
Related parties	4	112	47	-	-
Financial institutions		19,093	9,560	1,118	81
Others		2,641	3,380	795	436
<b>Total</b>		<b>21,846</b>	<b>12,987</b>	<b>1,913</b>	<b>517</b>
Less cost of assets under construction		(3,123)	(1,128)	(685)	-
<b>Net</b>		<b>18,723</b>	<b>11,859</b>	<b>1,228</b>	<b>517</b>

### 32 Income tax expense

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

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
<b>Current tax expense</b>					
Current year		51,857	69,155	-	-
<b>Deferred income tax expense</b>					
Movements in temporary differences	17	21,776	4,487	15,145	2,026
<b>Total income tax expense</b>		<b>73,633</b>	<b>73,642</b>	<b>15,145</b>	<b>2,026</b>

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

	Consolidated financial statements					
	2017		2016			
	Before tax	Tax (expense) benefit	Before tax	Tax (expense) benefit	Net of tax	
<i>(in thousand Baht)</i>						
Fair value changes in available-for-sale investments	(18)	4	(14)	(481)	96	(385)
Revaluation surplus	-	-	-	(9,009)	1,802	(7,207)
Defined benefit plan actuarial gains (losses)	2,589	(518)	2,071	(22,083)	4,416	(17,667)
<b>Total</b>	<b>2,571</b>	<b>(514)</b>	<b>2,057</b>	<b>(31,573)</b>	<b>6,314</b>	<b>(25,259)</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	Separate financial statements					
	Before tax	2017 Tax (expense) benefit	Net of tax	Before tax	2016 Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Fair value changes in available-for-sale investments	(11)	2	(9)	(266)	54	(212)
Defined benefit plan actuarial gains (losses)	1,741	(348)	1,393	(2,438)	487	(1,951)
<b>Total</b>	<b>1,730</b>	<b>(346)</b>	<b>1,384</b>	<b>(2,704)</b>	<b>541</b>	<b>(2,163)</b>

### Reconciliation of effective tax rate

	Consolidated financial statements			
	2017		2016	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		268,609		534,881
Income tax using the Thai corporation tax rate	20	53,722	20	106,976
Net income from promotional privileges		(27,727)		(61,974)
Additional expenses for tax purposes		(3,902)		(1,013)
Expenses not deductible for tax purposes		4,083		3,890
Current year tax losses for which no deferred tax assets was recognised		25,462		25,452
Reversal of deferred tax assets of previously recognised tax losses		21,051		-
Others		944		311
<b>Total income tax expense</b>	<b>27.4</b>	<b>73,633</b>	<b>13.8</b>	<b>73,642</b>

	Separate financial statements			
	2017		2016	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		149,402		117,312
Income tax using the Thai corporation tax rate	20	29,880	20	23,462
Dividend income not subject to tax		(46,692)		(48,021)
Additional expenses for tax purposes		(474)		(864)
Expenses not deductible for tax purposes		3,594		840
Current year tax losses for which no deferred tax assets was recognised		17,408		27,701
Reversal of deferred tax assets of previously recognised tax losses		11,521		-
Others		(92)		(1,092)
<b>Total income tax expense</b>	<b>10.1</b>	<b>15,145</b>	<b>1.7</b>	<b>2,026</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 33 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520, the Company and four subsidiaries (Surapon Nichirei Foods Company Limited, Mobile Logistics Company Limited, Surapon Supreme Foods Company Limited and Surat Seafoods Company Limited) were granted certain privileges by the Board of Investment relating to the manufacturing of ready-to-eat frozen foods, finished and semi-finished frozen foods, aquatic animals frozen and cold storage warehouse and logistic service. The privileges granted include:

- the Company and subsidiaries have exemption from payment of income tax for certain operations for a period of 3-8 years from the date on which the income is first derived from such operations.
- A subsidiary has been granted 50% reduction in the normal income tax on the net profit derived from certain operations for a period of 5 years commencing from the expiry date in (a) above.
- the subsidiaries has exemption from the import duty on machinery approved by the Board.
- A subsidiary is allowed to deduct for double amount of transportation and utility expenses for a period of 10 years from the date on which the income is first derived from such operations.
- the Company and subsidiary has exemption from dividend derived from other promoted company.

As promoted companies, the Company and the subsidiaries must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenues from promoted and non-promoted businesses were as follows:

	Consolidated financial statements					
	2017			2016		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
	<i>(in thousand Baht)</i>					
Export sales	2,461,040	2,356,586	4,817,626	2,409,713	2,568,155	4,977,868
Local sales	3,377	1,066,270	1,069,647	2,055	984,573	986,628
Local services	36,712	14,787	51,499	6,603	1,581	8,184
Eliminations	(18,883)	(363,699)	(382,582)	(1,877)	(249,664)	(251,541)
<b>Total revenue</b>	<b>2,482,246</b>	<b>3,073,944</b>	<b>5,556,190</b>	<b>2,416,494</b>	<b>3,304,645</b>	<b>5,721,139</b>

	Separate financial statements					
	2017			2016		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
	<i>(in thousand Baht)</i>					
Export sales	-	380,818	380,818	542	765,350	765,892
Local sales	-	625,178	625,178	2	723,116	723,118
<b>Total revenue</b>	<b>-</b>	<b>1,005,996</b>	<b>1,005,996</b>	<b>544</b>	<b>1,488,466</b>	<b>1,489,010</b>



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 34 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the years ended 31 December 2017 and 2016 were based on the profit (loss) for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements		Separate Financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
<b>Profit (loss) attributable to ordinary shareholders of the Company (Basic)</b>	<b>(8,422)</b>	<b>154,482</b>	<b>134,257</b>	<b>115,286</b>
<b>Number of ordinary shares outstanding</b>	<b>269,999</b>	<b>269,999</b>	<b>269,999</b>	<b>269,999</b>
<b>Basic earnings (loss) per share <i>(in Baht)</i></b>	<b>(0.03)</b>	<b>0.57</b>	<b>0.50</b>	<b>0.43</b>

### 35 Dividends

At the annual general meeting of the shareholders of the Company held on 20 April 2017, the shareholders approved the appropriation of dividends of Baht 0.30 per share, amounting to Baht 81.0 million. The dividend was paid to shareholders in May 2017.

At the annual general meeting of the shareholders of the Company held on 21 April 2016, the shareholders approved the appropriation of dividends of Baht 0.43 per share, amounting to Baht 116.1 million. The dividend was paid to shareholders in May 2016.

### 36 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, which the Group defines as result for operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### 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 from fixed interest rate loan. The Group is primarily exposed to interest rate risk from its borrowings (see note 19). Management, however, consider that the interest rate risk is not material hence, the Group has no hedging agreements to protect against such risk.

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

		Consolidated financial statements			
	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
(in thousand Baht)					
<b>2017</b>					
Short-term loans from financial institutions	1.90 – 3.03	137,000	-	-	137,000
Loan from an associate	2.25	5,000	-	-	5,000
Long-term loans from financial institutions	3.5 – 4.25	51,514	418,436	12,700	482,650
<b>Total</b>		<b>193,514</b>	<b>418,436</b>	<b>12,700</b>	<b>624,650</b>
<b>2016</b>					
Short-term loans from financial institutions	1.76 - 3.8	227,000	-	-	227,000
Loan from an associate	2.25	5,000	-	-	5,000
Long-term loans from financial institutions	3.5 - 4.25	30,576	195,868	-	226,444
<b>Total</b>		<b>262,576</b>	<b>195,868</b>	<b>-</b>	<b>458,444</b>
		Separate financial statements			
	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
(in thousand Baht)					
<b>2017</b>					
Long-term loans from financial institutions	3.5	10,864	786	-	11,650
<b>2016</b>					
Short-term loans from financial institutions	2.1	30,000	-	-	30,000
Long-term loans from financial institutions	3.5	576	868	-	1,444
<b>Total</b>		<b>30,576</b>	<b>868</b>	<b>-</b>	<b>31,444</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

### Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the current and subsequent period.

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Japanese Yen</b>				
Cash and cash equivalents	2	2	-	1
Trade accounts receivable	131,255	79,468	8,841	7,810
Trade accounts payable	(7,036)	(4,963)	(17)	(17)
Other payables	(5,985)	(5,296)	-	-
<b>Gross statement of financial position exposure</b>	<b>118,236</b>	<b>69,211</b>	<b>8,824</b>	<b>7,794</b>
Estimated forecast sales	399,914	227,623	19,938	9,915
Estimated forecast purchases	-	(25,726)	-	(8,503)
<b>Gross exposure</b>	<b>518,150</b>	<b>271,108</b>	<b>28,762</b>	<b>9,206</b>
Forward contract to sell foreign currency	(246,669)	(307,201)	(6,264)	(17,748)
Forward contract to buy foreign currency	-	3,046	-	-
<b>Net exposure</b>	<b>271,481</b>	<b>(33,047)</b>	<b>22,498</b>	<b>(8,542)</b>
<b>United States Dollars</b>				
Cash and cash equivalents	19	21	19	20
Trade accounts receivable	19,364	70,207	5,119	14,334
Trade accounts payable	(901)	(2,128)	(901)	(2,128)
Other payables	(2,501)	(291)	-	(292)
<b>Gross statement of financial position exposure</b>	<b>15,981</b>	<b>67,809</b>	<b>4,237</b>	<b>11,934</b>
Estimated forecast sales	100,977	83,420	34,889	18,854
Estimated forecast purchases	(7,062)	(39,148)	(7,062)	(8,773)
<b>Gross exposure</b>	<b>109,896</b>	<b>112,081</b>	<b>32,064</b>	<b>22,015</b>
Forward contract to sell foreign currency	(45,435)	(135,313)	-	(33,225)
Forward contract to buy foreign currency	3,251	17,829	3,251	3,566
<b>Net exposure</b>	<b>67,712</b>	<b>(5,403)</b>	<b>35,315</b>	<b>(7,644)</b>
<b>Australian Dollars</b>				
Estimated forecast purchases	-	(35,765)	-	-
<b>Gross exposure</b>	<b>-</b>	<b>(35,765)</b>	<b>-</b>	<b>-</b>
Forward contract to buy foreign currency	-	5,109	-	-
<b>Net exposure</b>	<b>-</b>	<b>(30,656)</b>	<b>-</b>	<b>-</b>

### Credit risk

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



# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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

### *Liquidity risk*

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

### *Carrying amount and fair values*

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. 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	Level 2	Level 3	Total
		(in thousand Baht)			
<b>31 December 2017</b>					
<b><i>Financial assets measured at fair value</i></b>					
Investment in mutual fund - available for sale	-	-	-	-	-
<b>31 December 2016</b>					
<b><i>Financial assets measured at fair value</i></b>					
Investment in mutual fund - available for sale	31,151	-	31,151	-	31,151
	Separate financial statements				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
		(in thousand Baht)			
<b>31 December 2017</b>					
<b><i>Financial assets measured at fair value</i></b>					
Investment in mutual fund - available for sale	-	-	-	-	-
<b>31 December 2016</b>					
<b><i>Financial assets measured at fair value</i></b>					
Investment in mutual fund - available for sale	1,200	-	1,200	-	1,200

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	Consolidated financial statements		Separate Financial statements	
	Fair value	Carrying amount	Fair value	Carrying amount
	(in thousand Baht)			
<b>31 December 2017</b>				
<b>Financial assets/financial liabilities not measured at fair value</b>				
Net receivables from forward exchange contracts (presented under “Other receivables”)	7,741	6,164	47	78
Loans from financial institutions	(619,650)	(619,650)	(11,650)	(11,650)
Loan from an associate	(5,000)	(5,000)	-	-
<b>31 December 2016</b>				
<b>Financial assets/financial liabilities not measured at fair value</b>				
Net receivables from forward exchange contracts (presented under “Other receivables”)	15,479	9,804	1,443	984
Loans from financial institutions	(453,444)	(453,444)	(31,444)	(31,444)
Loan from an associate	(5,000)	(5,000)	-	-

The Group determines Level 2 fair values for investment in mutual fund – available for sale based on prices quoted by asset management companies.

Fair value for forward exchange contracts were calculated using the rates quoted by the Company’s banker which were based on market conditions existing at the statement of financial position date.

Fair values of trade and other receivables, trade and other payables approximate to the carrying amount due to these financial instruments have short-term maturity.

Fair values of long-term loans which bear interest at floating market rate is taken to approximate the carrying amount.

Fair values of short-term loans from an associate approximate to the carrying amount due to interest rate approximate to market rate.

Fair values of short-term loans from financial institutions and finance lease approximate to the carrying amount due to interest rate approximate to market rate.

### 37 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
<b>Capital commitment</b>				
<i>Contracted but not provide for</i>				
Buildings and other constructions	47,520	84,841	47,520	1,246
Machinery and equipment	20,528	16,287	19,762	3,165
<b>Total</b>	<b>68,048</b>	<b>101,128</b>	<b>67,282</b>	<b>4,411</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Future minimum lease payments under non-cancellable operating leases</b>				
Within one year	7,344	8,297	1,878	7,819
After one year but within five years	11,153	16,215	1,645	15,491
<b>Total</b>	<b>18,497</b>	<b>24,512</b>	<b>3,523</b>	<b>23,310</b>

### Operating lease commitments

- Lease agreements covering vehicles for periods from three to five years expiring in various periods up to February 2022.
- Lease agreements covering office equipment for five years period expiring in June 2021.

### Other commitments

As at 31 December 2017, the Group had outstanding forward exchange contracts covering periods less than one year as follows:

Currencies	Consolidated financial statements		Separate financial statements	
	Amount in foreign currencies <i>(in million)</i>	Equivalent to Baht <i>(in million Baht)</i>	Amount in foreign currencies <i>(in million)</i>	Equivalent to Baht <i>(in million Baht)</i>
<b>Forward contracts to sell foreign currencies</b>				
Japanese Yen	862.5	246.7	21.9	6.3
United State Dollars	1.4	45.4	-	-
<b>Total</b>		<b>292.1</b>		<b>6.3</b>
<b>Forward contracts to buy foreign currency</b>				
United State Dollars	0.1	3.3	0.1	3.3

As at 31 December 2016, the Group had outstanding forward exchange contracts covering periods less than one year as follows:

Currencies	Consolidated financial statements		Separate financial statements	
	Amount in foreign currencies <i>(in million)</i>	Equivalent to Baht <i>(in million Baht)</i>	Amount in foreign currencies <i>(in million)</i>	Equivalent to Baht <i>(in million Baht)</i>
<b>Forward contracts to sell foreign currencies</b>				
Japanese Yen	1,008.7	307.2	58.3	17.7
United State Dollars	3.8	135.3	0.9	33.2
<b>Total</b>		<b>442.5</b>		<b>50.9</b>

# Notes to the Financial Statements

## Surapon Foods Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Currencies	Consolidated financial statements		Separate financial statements	
	Amount in foreign currencies	Equivalent to Baht	Amount in foreign currencies	Equivalent to Baht
	(in million)	(in million Baht)	(in million)	(in million Baht)
<b>Forward contracts to buy foreign currencies</b>				
Japanese Yen	10.0	3.0	-	-
United State Dollars	0.5	17.8	0.1	3.6
Australian Dollars	0.2	5.1	-	-
<b>Total</b>		<b>25.9</b>		<b>3.6</b>

### 38 Contingent liabilities

As at 31 December 2017, the Group had contingent liabilities for:

- letters of guarantee issued by banks to certain government agencies and private sector for the Company and subsidiaries totalling approximately Baht 3.0 million for the Group and Baht 1.6 million for the Company.
- joint guarantee for credit facilities which financial institutions extended to certain subsidiaries totalling approximately Baht 1,545.8 million.

### 39 Events after the reporting period

At the Board of Directors meeting of the Company held on 20 February 2018, the Board approved the appropriation of dividends based on the operating profit for the year 2017 of Baht 0.3729 per share, amounting to Baht 100.7 million. The dividend is subject to approve by the shareholders at the annual general meeting to be held in April 2018.

On 26 January 2018, the Company informed the Stock Exchange of Thailand about significant change in shareholding from two major shareholders in Vongvadhanaroj family who sold their shares of 30% shareholding of total Company's shares, to Pokai Holdings Company Limited. The shareholders of Pokai Holdings Company Limited are the members in Vongvadhanaroj family.





SURAPON







**SURAPON**

GMP Certificate

HACCP Certificate

BRC Certificate

ISO 22000 : 2005 Certificate

ISO/IEC 17025 : 2005

Prime Minister's Export Award 1994

Prime Minister's Export Award 1998

Superbrands Thailand 2005

E.U. Number for both fisheries and poultry  
(TH 1009, TH 1124, TH 1010, TH 172)

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