

**S.KHONKAEN®**

ANNUAL REPORT S. KHONKAEN FOODS PLC.  
FOR THE YEAR ENDED 31 DECEMBER 2014

**FROM FARM  
TO TABLE**





### “แซบ” ร้านส้มตำพันธุ์ใหม่

ส้มตำไทย โดยคนไทย ทำให้ไประดับโลก คือ ความตั้งใจของชาว “แซบ เอ็กซ์เพรส” และด้วยปณิธาน เราจึงคัดเลือกวัตถุดิบตั้งแต่ แหล่งผลิต ตลอดจนสายพันธุ์ที่เหมาะสม มาผ่านกระบวนการปรุงที่ พิถีพิถัน รวมถึงการนำนวัตกรรมมาประยุกต์ใช้ เพื่อให้ได้มาซึ่งเมนู แห่งความภาคภูมิใจทุกจาน “ให้ลืกรู้กันไป ว่าคนไทย ก็ทำได้เหมือนกัน”

### “แซบ” คัดเลือกเมนูอย่างไร

ปรัชญาการทำงานของเราคือ “ใส่ใจในคุณภาพ ทุกขั้นตอน”

เราจึงเลือกที่จะนำเสนอเฉพาะเมนูหลักๆ ที่เป็นหัวใจของร้านส้มตำไทยอย่างจริงๆ และสลับหมุนเวียนด้วยเมนูแนะนำ ในโอกาสต่างๆ แก่นที่จะเป็นเมนูที่มีรายการอาหารมากมาย จนมาถึงครั้งก็ไม่เคยได้ทานครบ เพื่อให้เราสามารถมุ่งเน้นไปที่คุณภาพความใหม่ สดของวัตถุดิบ กระบวนการปรุงที่ได้มาตรฐาน และการบริการที่รวดเร็ว เพื่อรักษาสัญญาใจกับลูกค้าทุกท่านว่าเมนูโปรดของคุณจะคงคุณภาพดีเยี่ยมและ ได้รับประสบการณ์ที่ประทับใจแบบเดียวกันกลับไปทุกครั้ง ที่มาให้บริการแซบกับเรา

## อาหารจานเดียว Single Dish

**701 ข้าวหน้าไก่ย่างหนังกรอบ**  
Crispy grilled chicken served with rice



**702 ข้าวน้ำตกไก่แซบ**  
Spicy grilled chicken salad with roasted rice powder served with rice



**703 ข้าวน้ำตกหมูย่าง**  
Spicy grilled pork salad with roasted rice powder served with rice



**704 ข้าวผัดแหม่ม**  
Fried rice with fermented sausage



**705 ข้าวผัดกุนเชียง**  
Fried rice with Chinese sausage



**706 ส.ซอนแก่นทรงเครื่อง**  
Fried rice vermicelli with Chinese sausage, Vietnamese sausage, Shredded pork and Crispy pork



### ชุดข้าวกล่องอีสานเบนโตะ BENTO SET



ถนอมอาหารด้วย  
กล่องชนิดพิเศษ

เทคโนโลยีระบายความร้อนช่วยระบาย  
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อาหารให้สด นุ่ม อร่อย เหมือนเพิ่ง  
ปรุงใหม่



**S 01 ไก่ย่าง + ส้มตำไทย + ข้าวเหนียวขาว**  
Original Thai papaya salad, Crispy grilled, White sticky rice



**S 02 ไก่ย่าง + ส้มตำปู + ข้าวเหนียวขาว**  
Papaya salad with crab and special sauce, Crispy grilled chicken, White sticky rice

## WE DELIVER BIG ORDERS !

สนใจสั่งข้าวกล่อง หรืออีสานเบนโตะสำหรับจัดเลี้ยง  
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### *Message from the Chairman*

“In 2014, it was considered another challenging year for processed pork industry because of the price increases in pork which used to be an average of 21 % in 2013 but continually goes upward this year due to Animal feed price fluctuation especially in the second quarter. This year pork price rises considerably 20% more than its price in the same quarter last year. Economic growth was lower than forecasted; the growth rate is only 0.8 % this year. Considering these factors above, the Company focused on cost management and loss control.



Thanks to the Company vision in expanding its swine farm to reduce the risk of volatility in raw material price, this greatly helps the Company to maintain its overall gross profits and growth as planned.

The Company recorded total revenues of Baht 2,215 million, 10% increased with Baht 110 million of net profit, 20% increased. This past year, the traditional products growth rate reaches 12.1% if compares to 2013. This resulted from the Company shifting to focus on RTE product in order to cope with customer demand. While the successful development in snack category is the launching of a new product: non-fat pork-rind targeting health conscious and protein seeker customers. The introduction of this product conforms to the Company vision to provide customers with quality, delicious, and affordable products.

On behalf of the Board of Directors, I would like to deeply thank all our valuable shareholders, our customers, our business counterparts, public and private sectors, as well as the executives and staff of the Company for their good support and cooperation. The Company still regards the importance of good corporate governance in order to generate adequate and equal return to our entire stakeholder leading to a sustainable success of the Company.

A handwritten signature in black ink, consisting of several fluid, connected strokes.

(Mr. Somchai Sakulsurarat)

Chairman of the Board of Directors

### *Message from the Chief Executive Officer*

2014 has been another successful year for SORKON in revenue and turnover despite many domestic and international volatility and series of uncontrollable events such as political unrest and global economic crisis. Indicator is the growth of GDP which is lower than 1.8 if compared few years ago in 4 %. Moreover, cost of pork price shifted higher dramatically like never before which becomes a significant factor to a rise in cost of processed pork products. Luckily the Company has its own swine farm which has enough supply to deduct the rising cost in pork. It is the solution that the Company uses to reduce the risk of fluctuation in pork price.



The significance improvement in overall revenue came from the growth of our existing products and newly launched product which conducted from the Company's vision "From Farm to Table" as the Company continually took in as a business practice. The Company success in launching "Yunnan" brand, a restaurant selling pork leg stew with rice and soup to more than 20 branches in Thailand and 2 new branches in Vientiane, Lao's People Democratic Republic, proves the realization of its vision. This coming 2015 "Yunnan" restaurant branches will be 32 domestically and will expand its branches in AEC both by the Company's investment and franchise. Due to the labor shortage of "Zaab Express", north-eastern Thai foods restaurant, the Company has revised its policy emphasizing on office and home delivery and starting franchise the "Zaab Kiosk".

I am strongly believed that the Company leverages itself to become a food business that matches the need of Thai people. With the excellent and experienced of our team combined to the strong business strategies and practical vision will lead the Company to achieve its success as planned in 2015

(Mr.Charoen Rujirasopon)

Chief Executive Officer

## 1. Business Overview

S. Khonkaen Foods Public Company Limited (“the Company” or “SORKON”) was established in 1974 by Rujirasopon family under the name Sorkon Food Industry Company, started as a manufacturer and distributor of processed products from pork “Traditional Thai Foods type”. The Company operates its own swine farm to reduce the risk in pork meat shortage. The Company started exporting traditional Thai foods to Hong Kong in 1991. The Company was transformed to a public company and subsequently got listed on the Stock Exchange of Thailand in 1994.

The Company diversified into processed seafood business in 2003 for the purpose of products risk diversification to reduce the uncertainty of revenue being depended on a single business unit. As a result, the Company’s revenues were increased by approximately 30% in the same year. In 2008, the company successfully launched the meat-base-snack “Entrée” resulting in the 13% revenues growth. One year later, in 2009, the Company entered into Ready-To-Eat meals (RTE) and Ready-To-Heat frozen foods (RTH) industry, via an acquisition of assets, since the Company foresaw that this industry would have strong growth and high potential as change in lifestyle of the people in the major cities. In the same year, the Company established its operation in EU by contracting a manufacturer (an OEM) in Poland to produce traditional Thai foods products under the brand S.Khonkaen. In 2010, the Company started Quick Service Restaurant (QSR) to enhance its overall profitability as well as to utilize its outlets as another distributional channel for the Company’s products.

During 2009 to 2010, the Company restructured its group of company’s shareholding structure by divesting shares in irrelevant business units to make the new group of company structure to be more precisely and transparency.

## Company Group Structure



**S. Khonkaen Foods Public Company Limited (SORKON)** is a main business contributed in Production and Distribution of traditional Thai foods, RTE meals & RTH foods, and Quick Service Restaurants (QSR) with 3 factories under its operation as follows:

- Nakhon Pathom: to produce traditional Thai foods (dried products), namely Shredded Pork and Chinese Sausages
- Bangplee: to produce traditional Thai foods (fresh products), namely Vietnamese Sausages, Fermented Sausages, and Thai Sausages
- Mahachai (Samut Sakhon), to process RTE & RTH foods

Moreover, SORKON is the distributor of processed seafood in modern trade to Mahachai Food Processing Company (MFP).

#### MFP

- Production of processed seafood (seafood balls) and seafood sauce at its factory located in Mahachai, Samut Sakhon. Products are distributed by SORKON and SKKF.

#### S.K.K. Food Company Limited (SKKF)

- Distribution of Company's products, mainly processed seafood, seafood sauce, and traditional products to the wet market channel

#### S. Pasusat Company Limited (SPS)

- Swine Farm producing fatteners and piglets

#### S.Khonkaen (E.U.) Company Limited

- To market Company's products in European countries by contracting a manufacturer in Poland on an OEM basis to produce traditional Thai meat products under its own S.Khonkaen Brand
- (S.Khonkaen (E.U.) ceased its operation since the Company had decided to move an OEM Production base from Poland to the Netherlands to ease logistic advantage as well as the Company had managed to attain better terms and conditions from a new OEM contract.)

#### S.Khonkaen Foods (Netherlands) B.V.

- A newly-set up subsidiary to market Company's products in EU countries and UK by contracting a manufacturer in the Netherlands on an OEM basis to produce traditional Thai foods products such as pork balls, meat balls, fermented sausage, Vietnamese sausage, and others product of S.Khonkaen Brand.



## **1.1 Business Policy**

SORKON is to bring food from farm to table aiming to be the best Thai foods producer and to diversify its market coverage worldwide. The Company will maintain market leadership in Thai foods industry by providing delicious, fresh, and clean foods to consumers. Adhere to corporate sustainability and operate its businesses in accordance with good corporate governance and corporate social responsibilities

### **Vision**

SORKON aims to be a leader of Thai Food industry in international market and establish sustainable brand awareness and brand loyalty to the stakeholder through our excellent management.

### **Objectives**

- Become the “kitchen of AEC” as a largest producer of Thai foods and to successfully build “S.Khonkaen” brand to gain acceptance in AEC market
- Become a market leader in meat base and seafood snack in the AEC and Muslim market (especially in the Middle East markets)
- To build brand awareness for Ready-To-Eat (RTE) meals under the “S.Khonkaen” Brand as the best RTE meals & RTH frozen foods follow the standard of traditional foods and fish ball in terms of its taste, quality, and cleanliness “Think of Deliciousness, Think of S.Khoakaen”.
- Become a leading price setter whom controls production cost by investing and developing in innovative technology to improve productivity, increase efficiency and lower the cost.

### **Business Strategies**

- To penetrate AEC market, the Company initially focused on appointed authorized dealer in each country to distribute Company’s products. Potential dealers should be financially strong and have strong distribution networks throughout the country.
- To set up a new meat base snack production facility to be operated in accordance with Halal standards as prescribed by The Central Islamic Committee of Thailand, and to be in accordance with EU standards to become a qualified exporter of meat base snack to Middle East, European countries, and the US as well.

- To allocate reasonably investment in productivity. Projects should yield appropriate Internal Rate of Return
- To allocate adequate capital expenditures (CAPEX) to ensure that its technologies are up to dated, and CAPEX for any cost reduction programs.
- To engage more in RTE frozen foods focusing on a few selected cuisines which are favorites among Thai, i.e. pork leg stew with rice (khao kha moo), roasted pork with rice (khao moo daeng), and stir fried chicken/pork with basil topping on rice (khao phad kra phao). The Company will focus on quality control and sensory taste to make sure the products are up to standard (delicious, fresh, clean, and qualified)
- To establish a traditional trade department (TT) to penetrate TT market using reasonably price and quality strategies in which the Company gains the upper hand because of a great number in customer with brand loyalty.
- To expand a new channel and distribution in restaurant chain, point of sales, investment, and franchises.

## 1.2 Major Developments

The Company has successfully increased its registered capital from Baht 80.85 million to Baht 242.55 million with fully paid up via the right issue at 1 old share to 2 new shares during 29<sup>th</sup> March to 4<sup>th</sup> April 2012.

- The Rujirasopon family is still a major shareholder with 56.94% shareholdings (as of April 24<sup>th</sup>, 2014) and having full control over the Company.
- Major Business Developments in 2013 are as follow:
  - The Company appointed authorized dealer to distribute its products in Laos. This appointed dealer is one of the largest private business groups in Laos with strong distribution network nationwide.
  - The Company launched 4 Yunnan quick service restaurants selling only pork leg stew with rice and Chinese cuisines. The first Yunnan outlet was opened at Bangchak gas station

Bangna- Trad km 4.5 as a pilot store, followed by other 3 Yunnan outlets opened at PTT gas stations at Ayudhaya km 55, at Pinehurst, and Bangpoon.

- The Company launched Traditional Trade Department in order to penetrate TT market especially in the Company's traditional products which has little margins in TT section.
  - The Company decided to move an OEM production base from Poland to the Netherlands in order to have more efficient logistic management since the Netherlands is closer to Federal Republic of Germany and Asian citizen are more packed in Germany than in any other European countries. Moreover, the Company had attained better terms and conditions from a new OEM contract. The Company has established S.Khonkaen Foods (Netherlands) B.V. to take care of marketing in EU (replacing the roles of S.Khonkaen (E.U.) Company Limited)
- Major developments in this 2014 as follow:
- The Company changed the distribution policy by appointing DKSH (Thailand) to become an official distributor in modern trade, wet market, and cash vans instead of a total channel in the past. While the company will become a direct distributor in 7-11 which increases a better gross profit margin of this product category in 2014.
  - The Company adjusted the OEM policy of RTE & RTH's factory because nowadays OEM products are highly competitive and the risk of vitality in materials leads to the lower profit margin. According to the new policy, the Company shifted to produce for QSR "Zaap Express" and "Yunnan" which have higher profit margin causing the drop of profit margin in RTE & RTH.
  - In 2014, the Company has opened 16 new branches of Yunnan restaurants domestically in order to increase point of sales to customer and gain benefits in term of food cost management and logistic making Yunnan restaurant to be 20 branched at the end of 2014.



## 2. Nature of Business

Group of companies' products are categorized into 6 product groups as follows:

1. Processed Pork (Traditional Thai Foods)
2. Processed Seafood
3. Meat-Base-Snack
4. Ready-To-Eat (RTE) Meals and Ready-To-Heat (RTH) frozen foods
5. Quick Service Restaurants (QSR)
6. Swine Farm

### 2.1 Nature of Products

#### 2.1.1 Traditional Thai Foods

Traditional Thai foods is one of the Company's core businesses with 43% in sales contribution of 2014. They are the first traditional product since the company has started commercially. Processed pork is manufactured in two main factories: Bangplee and Nakhon Pathom. SORKON and SKKF are supervised in marketing and distribution in which SKKF is taken care of marketing and distribution in wet market domestically. While SORKON is responsible for marketing and distribution among other channel such as retail business, convenient stores, upcountry dealer, direct sale agent, and for international dealer: Hong Kong and Macau.



Products under this category comprised of Shredded Pork, Crispy Pork, Chinese Sausages, Thai Sausages, Fermented Sausages, Vietnamese Sausages, Pork Balls, and etc which marketed under the Company's own brands, namely S.Khonkaen, Moo Dee, Moo Hoar, Huay Kaew, Baan Phai, 3 Rien Thong, Moo Champ and Settri.

#### 2.1.2 Processed Seafood (Seafood Balls)

Processed seafood is another company's core business with 34% sales contribution. They are produced by the Company's subsidiary, MFP. SKKF is responsible in marketing and distribution for domestic wet market. SORKON is a distributor in other channels such as retail chains, convenient stores, upcountry dealer, and for international market through authorized dealer in US, EU, UK, Japan, Korea, and Hong Kong. The total domestic sales is 90 % and 10% for international sales respectively.

Products included in this category are fish balls, shrimp balls, and squid balls which are manufactured in various qualities to penetrate high-end and low-end markets.

At present the Company is the biggest seafood ball manufacture in the country owning 80% market share in modern trade.



The Company's Processed seafood products are house brand and OEM. The products under the Company's own brands are "Chiu Chow", "Kwang Chow", "Yaowarat", "O-Deng", "Mahachai", "Kowloon", "KaiZen", "Heng Heng", "Hong Kong", and "Taipei". While Dipping sauces and chilli pastes (counted as processed seafood because of their ingredients and manufactures at MFP) are under brand "Thai Derm" and "Thai Niyom". SORKON is responsible for marketing and distribution in modern trade while SKKF is taking care in wet market. The sale of dipping sauces and chilli paste are only 4% sales contribution in processed seafood category.

In 2012, the Company invested in purchasing around 24 Rai of land near Mahachai factory to support the factory extension acquiring approximately 348 million baht (land included) to raise manufacture's capacity of fish ball and seafood-base-snack that has Halal standard in order to export to Muslim countries. By extending the factory, it is expected to increase manufacture capacity to 15,000 ton per year more than the previous 9,000 ton per year. It is expected to start manufacture in second quarter of 2015.

### **2.1.3 Meat-Base-Snack**

Meat-Base-Snack is manufactured in Bangplee factory. SORKON appointed DKSH (Thailand) to distribute meat-base-snack which are comprised of Bar-B-Q crispy pork, roasted pork, roasted chicken, Bar-B-Q crispy fried pork, pork-rind, and star shaped crisp rice which are produced under the Company's own brands, "Entrée", "Moochi", and "The Star". At present products are 93% sold domestically while 7% are exported to Hong Kong and Macau.

The Company is in the process of building a new factory for chicken and sea-base-snack which will grant Halal standard and export to Muslim's market. It is expected to start in the third quarter of 2015

#### 2.1.4 Ready-To-Eat (RTE) and Ready-To-Heat (RTH) Foods

Ready-To-Eat (RTE) and Ready-To-Heat (RTH) Foods are produced in Samut Sakorn factory in which the Company has acquired the frozen foods production facilities since 2009 from Narai Inter Food Co., Ltd. and most of the products were produced under manufacturing contracts (or OEM contract). The Company started marketing the products under its own brand in late 2012 by launching food and Thai desserts. At present the Company has a policy to focus on house brand products. Also in late 2012, the Company launched a new product “Yunnan Pork Leg Stew” available only for Tops Supermarket. Moreover, the frozen foods factory served as a central kitchen for the Company's QSR business (“Zaap Express” and “Yunnan”).



#### 2.1.5 Quick Service Restaurant

Zaap Express focuses on North-eastern Thai foods by using most of the Company's products as ingredients in various menus. The first restaurant was opened by utilizing the spaces in front of the Bangplee factory as a pilot restaurant. At the end of 2013, there were 5 Zaap restaurants in operation. : Bangplee, Aree, Silom, All Season Bldg., and Soho.



On April 2013, the Company launched its pilot Yunnan restaurants at Bangchak Gas Station (Bangna-Trad Km 4.5). At first it focused on launching at gas station so by the end of 2013 the Company opened other 3 Yunnan restaurants. The reason of operating more branches is that the Company foresees that pork leg stew with rice and soup is one of Thai favorite dish. Combining the Company's expertise, secret recipe from Yunnan (Republic of China), healthy menu (non-fat), and stable taste, the Company believes that “Yunnan by



S.Khonkhaen” will create brand awareness more profoundly. Every branch operates successfully with some branches excel the other. By the end of 2014, “Yunnan” has already established 20 outlets as follow:

1. PTT Gas station has 18 branches :

Suphanburi Km.28	Khonkaen Mittraphap	Khonkaen Maliwan
Pattaya Lotus	Samkhok	Pinehurst
Rama 2 Km.51	Rayong Taphong	Nonthaburi Bridge,Bangbuathong
Udon Km.111 Banjun	Udon Km.171 Dussadee Korat Sikhiu	
Ayudhaya Km 55	Cholburi Banbueng 2	Bangpoon
Ayudhaya Worachet	Rojana	Chaiyaphum (Big C)

2. Bangchak Gas Station (Bangna-Trad Km 4.5)

3. Caltex Gas Station (Rangit Thanya Klong 3)

## 2.1.6 Swine Farm

The main purpose of backward integrating into its own swine farm is to secure the pork meat, which is the major raw material of Company’s products, to mitigate the risk from material shortage. The swine farm is located in Nakhon Ratchasima Province by using artificial in semination to reproduce swine to farmers. Moreover, the Company offers fattening piglets to farmers and full grown fattening swine to slaughterhouse as well.

## 2.2 Competition

### 2.2.1 Marketing Strategy Overview

- The Company utilizes a multi-brand strategy in order to cover all range of consumers in all distribution channels. “S.Khonkaen” brand and other Company’s fighting brands are well recognized in the marketplace and gain strong brand loyalty among the consumers. With this strategy, the Company has been able to sustain its market leadership in both traditional Thai foods and seafood balls market with approximately 80% market shares in the modern trade segment.

- The Company is committed to provide the quality products which are produced in accordance with the international standard. Certificates received are HACCP, GMP, ISO9200, and BRC.
- To sustain the cost leadership status by keep investing in technologies to maintain its competitive advantages. Replacing human force to more technologies made the Company nurturing its stable cost and become a leading price setter.
- **Distribution Channels:**

At present, Company's distribution channels are as followed:

  - (1) The modern trade (Hypermarkets, Supermarkets, and Convenience Stores) is still the major distribution channel of the Company's products. Traditional Thai foods and meat-base-snack are approximately 80% distributed via this channel.
  - (2) Wet Market is also another important channel in distributing company's products. Approximately 50% of seafood balls are distributed via this channel.
  - (3) Authorized Dealer is a channel that the Company chosen to distribute meat-base-snack
  - (4) Direct Sales to Food industries, institutes, and food services
  - (5) Direct channel to customers via QSR "Zaap Express" and "Yunnan"
- Considering the overall picture, the Company still has little margin in TT market. In order to increase more margins there, the Company has established a new TT department in 2013 and continually strengthened its capacity in 2014 to widen the penetration force of TT as well as develop products in term of cost and quality to match the need of customers. It is foreseeable that the rise in TT sales will rise especially in Traditional Foods and Processed Seafood.

## 2.2.2 Industry Overview and Competition Environment

### **Traditional Thai Foods**

Traditional Thai foods had 5-8% growth during the past 3-5 years. Factors directly affecting the business are the increase in the modern trade's retail spaces and the economic conditions. The Company is a market leader of Traditional Foods in the country not including SME products derived from the Company owing to the Mass Production which gives the Company advantage in term of cost and becomes the price setter in this industry.

Traditional Thai foods market is un-organized in the TT market, several small and medium producers scattering around all regions of Thailand.

It is capital intensive to invest in the large scale factory to produce traditional Thai foods and it requires technical know-how which is a barrier to entry for the new rivals to enter into this business.

High listing fee charged and high committed volume required by the modern trade operators is also barrier to entry for small and medium producers to enter into this segment.

### **Processed Seafood (Fish Ball)**

The Company is one of a few major players in the processed seafood industry. There are two groups of producers categorized by their products nature;

1) Surimi base producer (only 3 major players) "Surimi" is a high quality fish paste which derived from the process of grinding and soaking out all blood, leaving only a high quality grounded fish. The products produced by this group are mostly high value added products such as artificial crab meat (60% of all products produced), and the rest are Japanese style processed seafood, i.e. Mame Chikuwa, salmon sausages, fish tofu, fish balls, and other products more than 10 items. Their products approximately 60-80% are exported.

2) Fish Fillet Base Producer. The fish balls are traditionally produced from fish fillet. The Company is the largest producer among this group.



The Company has 80% market shares in the modern trade, while the rest of 20% are shared among 10 leading players.

While for wet market channel, the Company has a policy to expand the business regularly. The rivals are small and medium enterprises that scattered all over areas.

It is undeniable that changes in life style making people consume more RTE meals and instant noodle. Therefore, demand of fish balls is rising accordingly. Moreover, due to the labor shortage, noodle shops opt to buy seafood balls from the wet markets or HoReCa markets instead of producing by themselves.

#### **Meat-Base-Snack**

The Company is the single producer of meat-base-snack under brand “Entrée” and “Mooch” and appointed DKSH (Thailand) as an authorized distributor.

The economic conditions have direct impact to the consumptions of snack. In 2013, the snack industry was largely impacted as consumers’ spending decreased sharply as a result of the economic downturn situation.

#### **Ready-To-Eat (RTE) Meals and Ready-To-Heat (RTH) Frozen Foods**

Now the demand in ready to eat food is rising due to the change of customer behavior in term of convenience in the kitchen. Also the rise of retail businesses, wholesale businesses, and restaurants expands the domestic market and increases the popularity among RTE & RTH. This popularity has stimulated the competition among entrepreneurs in prices, qualities, food regulation, and food safety. It also encourages the volatility of raw materials making lower gross profit. The Company sees through the situation and changes the OEM policy to produce for house brand in QSR (“Zaap Express” and “Yunnan”) which earn more profit making the drop in RTE & RTH’s revenue.

### **2.3 Procurement of Raw Materials**

Pork meat is a major raw material usage for producing traditional Thai Foods, Meat-Base-Snack, and RTE and RTH foods. The Company procures pork meat from the reliable suppliers in the open market

with their products are up to standards. Other materials, such as spices, seasonings, and packaging are purchased domestically while pork intestines and artificial intestines are imported.

In general the Company purchased raw fish from domestic source and started to import frozen fish from various countries in 2013 and 2014 which considered a control over risk management in quantity and price of raw materials.

For the products to be exported to European countries, some materials must be secured in accordance with their standards. Therefore, the Company has to purchase these raw materials from certified suppliers from European countries whose standard are acceptable. Prices charged from these specific suppliers always higher comparing to those of other general suppliers.

## **2.4 Production and Production Capacity**

(A) SORKON has three factories:

- Bangplee Factory is located in 44/4 Pracha Utit Road, Rajathevha Sub-District, 13 Bangplee District, Samut Prakarn Province. The capacity of fresh traditional Thai products (Vietnamese sausages, Fermented sausages, Thai sausages, and Pork balls) is 7,000 tons per year
- Nakhon Pathom Factory is located in 114 Moo.8 Pailinchang Road, Bor Plub Sub-District, Muang District, Nakhon Pathom Province. The capacity of dried traditional products (Chinese sausages, Shredded pork, and Crispy pork ) is 800 tons per year.
- Mahachai Factory is located in 39/61 Moo.2 Rama 2 Road, Samutsakhon industrial estate, Bang Krajae Sub-District, Muang Samutsakhon District, Samutsakhon Province. The capacity of RTE & RTH is 3,600 tons per year.

(B) MFP has one factory located in 71/11 Moo.6, Tha Sai Sub-District, Muang Samutsakhon District, Samutsakhon Province. The capacity of processed seafood is 9,000 tons per year though will be increased to 15,000 tons per year in the 2<sup>nd</sup> quarter. In the 3<sup>rd</sup> quarter of the same year, it will start manufacture meat and seafood-base-snacks that have Halal standard.

(C) SPS has one swine farm located in 44 Moo.2, Pha Ya Yen Sub-District, Pak Chong District, Nakhon Ratchasima Province, 30320. The capacity of swine reproduction is 2,600 swine breeders.

## **2.5 Environmental Impact**

The Company mainly uses electricity and LPG (cooking gas), both of which are environmental friendly, in its production process. Furthermore, for energy conservation, the Company invested in a renewable energy, a Bio-Gas electricity generating system, for its own uses in its farm in Nakhon Ratchasima province.

The Company keeps improving the work environment quality of not less than what is required by law. The waste water is treated up to standard before drained. The Company also contracts an authorized operator (approved by Municipal) for the production waste disposal.

## **3. Risk Factors**

### **3.1 Risk of Dependence on Distributor**

Traditional Thai foods, snack, and RTE and RTH foods are mostly distributed via the modern trade and convenient store channel. If the Company's products would be refused to be sold in this channel, its revenues will be negatively affected.

Nevertheless, the Company products are in high demand due to their varieties that can match customer need so it has established good relationship with them and the Company; therefore, the Company has bargaining power to some what extent. Furthermore, the Company is diversifying its distribution channel to quick service restaurant which will benefit in more earning revenue and communicate directly to customer. QSR business inclines to gain more revenue than traditional Thai foods in the future.

### **3.2 Risk of Pork Price Fluctuation**

Pork price volatility directly impact to the gross profit margin as it is the major raw material in many products of the company. Nevertheless, the company closely monitors the pork price and when the price is on the uptrend, the company will stock the pork meat for up to 1-3 months (depend on the situation) to reduce the increase cost of production. The company, as a price setter, is able to increase selling prices, to some extent, to cope with the increased cost. Furthermore, to have its own swine farm (as a hedging tool) is also to shelter the overall gross profit margin of the company not too much volatile.

### **3.3 Risk of Pig Epidemics**

Wide spread of pig epidemics will directly jeopardize the swine farm's revenues. To mitigate this risk, the Company emphasizes on pork biosecurity measures which are essential. To strictly manage access to and movement from a farm of anything capable of carrying disease, including people, pigs, birds, wild animals, rodents, equipment and water. Moreover, the mountain surrounding the farm will naturally block the spread of epidemics to some extent.

### **3.4 Risk of Labor Shortage**

The Company's production process still largely relies on labors. Therefore, the Company has to provide remuneration, welfare, and incentive which are comparable with other companies within the same industry. The Company also continuously provides development programs to employees to develop their skills and abilities. Moreover, the Company keeps investing in new technology to replace the labor to mitigate this risk.

### **3.5 Financial Risk**

The Company is vulnerable to the risk of fluctuation in both interest and foreign exchange rate. The Company exposes to risk of interest rate fluctuation since banks' debts are still one of the major sources of funds. In 2012, the Company increased its capital by Baht 161.7 million to be used for its working capital and to repay bank debts. This brought down the debts to an appropriate level and reducing the overall risk from the interest rate fluctuation.

Some products are exported, hence the Company expose to risks from the fluctuation of foreign exchange rate. In fact, the Company is less affected by the fluctuations in the exchange rates since 90% of the products are quoted in Baht term. However, there is still some risk during the period of the fund transfer. To hedge this risk, the Company buys forward contracts for all foreign currencies to be received.

### **3.6 Risk from a major shareholder may influence over the shareholders' meeting resolutions and to take management control**

The Rujirasopon family is a major shareholder of the Company with 56.94% shareholdings. This allows the Rujirasopon family to take management control as well as has influence on the resolution of the shareholders' meeting, whether it is the appointment of directors, or other matters that require a majority of votes from the shareholder's meeting. However, The Rujirasopon family cannot vote on any connected transactions. In order to provide appropriate balance in decision making process of the Board and to be in accordance with the good corporate governance of the SET, it is required that the Company's Board of Directors must be comprised of independent directors to exceed one-third of the total number of directors .

## **4. Other Information**

### **(1) S. Khonkaen Foods Public Company Limited**

Head Office Address :	259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), North Prakanong, Vadhana, Bangkok, 10110
Business :	Production and Distribution of traditional Thai food, meat-base-snack, and RTE meals and RTH frozen foods
Company number :	0107537001811
Telephone :	(02) 339-3999
Fax :	(02) 711-2131
Website :	<a href="http://www.sorkon.co.th">http://www.sorkon.co.th</a>



E-mail : [president@sorkon.co.th](mailto:president@sorkon.co.th)

Registered Capital : 24,255,000 Ordinary shares of 10 Baht each

Issue and fully paid : 24,255,000 Ordinary shares

## **(2) Subsidiaries or Affiliated Companies with more than 10% shareholdings**

### **2.1 S.K.K. Food Company Limited**

Head Office Address : 259/17, 1<sup>st</sup> Floor, Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), North Prakanong, Vadhana, Bangkok, 10110

Business : Distribution of Company's products, mainly seafood balls, to the wet market channel

Telephone : (02) 339-3999

Fax : (02) 711-2131

Registered Capital Baht 120 million with fully paid-up

% shareholdings: 99.68 %

### **2.2 Mahachai Food Processing Company Limited**

Head Office Address : 259/13, 1<sup>st</sup> Floor, Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), North Prakanong, Vadhana, Bangkok, 10110

Business : Production of Seafood Balls

Telephone : (02) 339-3999

Fax : (02) 711-2131

Registered Capital Baht 85 million with fully paid-up

% shareholdings : 99.33 %

### **2.3 S. Pasusat Company Limited**

Head Office Address :	44 Moo 2, Tambol Payayen, Amphoe Pakchong, Nakhon Ratchasima Province 30320
Business :	Swine farm
Telephone :	(02) 339-3999
Fax :	(02) 711-2131
Registered Capital	Baht 45 million with fully paid-up
% shareholdings :	100 %

### **2.4 S. Khonkaen Foods (E.U.) Company Limited**

Head Office Address :	Wernyhory, 1 A Str. 02-727, Warsaw, Poland
Business :	To market Company's products in European countries
Total Stock :	5,000 Ordinary shares
Registered Capital :	50,000 Zloty (approximately 500,000 Baht)
% shareholdings :	90 %

### **2.5 S. Khonkaen Foods (Netherlands) B.V.**

Head Office Address :	Bolderweg 45, 1332 BA Almere, The Netherlands
Business :	To conduct wholesale business to market Company's Traditional Thai Food products in EU countries and others.
Telephone :	+31 616485383
Registered Capital	Euro 100 with fully paid-up
% Shareholdings :	100 %

## 2.6 Thai Home Food Company Limited

Head Office Address : 259/17, 2<sup>nd</sup> Floor, Soi Pridi Banomyong 13, Sukhumvit 71 Road  
(Pridi Banomyong), North Prakanong, Vadhana, Bangkok, 10110

Business : To operate Food Courts

Telephone : (02) 339-3999

Fax : (02) 711-2131

% shareholdings : 13.33 %

## (3) Other References

### 3.1) Securities Registrar

Name : Thailand Securities Depository Co., Ltd.

Address : 62 The Stock Exchange of Thailand Building,  
Rachadapisek Road, Klongtoey,  
Bangkok 10110, Thailand

Telephone : (02) 229 2800

Fax : (02) 359-1259

### 3.2) Auditors

Name: EY Office Limited

Address: 33rd Floor, Lake Ratchada Office Complex,  
193/136-137, New Ratchadaphisek Road, Bangkok 10110

Telephone: (02) 264-0777

Fax: (02) 264-0789

Auditors: 1. Mr. Sophon Permsirivallop (CPA no. 3182) and/or  
2. Miss Rungrapa Lertsuwankul (CPA no. 3516) and/or

3. Miss Pimjai Manitkajohnkit (CPA no. 4521) and/or

4. Mr. Chayapol Suppasedtanon (CPA no. 3972)

### 3.3) Tax Consultant

Name: Tax Specialist Co.,Ltd  
Address: 168/3 Banklangkrung Office Park, Soi Ladprao 71, Nakaniwas Road,  
District/Sub District Ladprao, Bangkok 10230  
Telephone: (02) 514-4334  
Fax: (02) 514-4424

### 3.4) Legal Advisor

Name: Sahakarn Law Office Co.,Ltd  
Address: 16 Tesabalnimitr Nua Road, Soi 6 Ladyao, Jatuchak, Bangkok 10900  
Telephone: (02) 954-3090-4  
Fax: (02) 953-8225

## 5. Major Shareholders (as of April 24, 2014)

Major Shareholders	Number of Shares	%
<b>1. Rujirasopon Family</b>	<b>13,809,910</b>	<b>56.94</b>
Mr. Charoen Rujirasopon	7,414,058	30.57
Mrs. Niramon Rujirasopon	4,327,349	17.84
Mr. Jarunpoj Rujirasopon	1,088,967	4.49
Mr. Songkiat Rujirasopon	840,950	3.47
Mr. Jaraspon Rujirasopon	138,586	0.57

Major Shareholders	Number of Shares	%
<b>2. Pichetawanitchoke Family</b>	<b>1,549,300</b>	<b>6.39</b>
<b>Mr. Tanathip Pichetawanitchoke</b>	732,800	3.02
<b>Mr. Suwit Pichetawanitchoke</b>	487,200	2.01
<b>Miss Winthinee Pichetawanitchoke</b>	329,400	1.36
<b>3. DBS BANK LTD - CLIENT A/C</b> <b>SG1100173011</b>	942,500	3.89
<b>4. Mr. Ayut Charnsettikul</b>	859,474	3.54
<b>5. Thai NVDR Co., Ltd.</b>	558,840	2.30
<b>6. Mr. Satit Viddayakorn</b>	500,000	2.06
<b>7. Mrs. Aurapan Assamongkol</b>	494,142	2.04
<b>8. NIPPON PACK (THAILAND) PUBLIC</b> <b>COMPANY LIMITED</b>	360,000	1.48
<b>9. Mr. Suchon Simakulthorn</b>	292,700	1.21
<b>10. Mr. Booneak Teangladdawong</b>	240,070	0.99
<b>Total</b>	<b>19,605,736</b>	<b>80.84</b>

## 6. Dividends Policy

The Company has policy to pay dividends of not lower than 50% net profit unless there is some emergency.

The three subsidiaries are (1) S. Pasusat Company Limited (2) S.K.K. Food Company Limited (3) Mahachai Food Processing Company Limited: payment of dividends is subject to business profits and also subject to the availability of Company's cash flow.



## 7. Management Structure

### 7.1 Board of Directors

As of December 31, 2014, the Board of Directors consisted of 10 directors, of which 5 directors were independent directors. The proportion of independent directors (5 out of 10) exceeded one-third, which is in compliance with the SEC's requirement.

1. Mr. Somchai Sakulsurarat	Chairman of the Board of Directors (Independent Director)
2. Mr. Charoen Rujirasopon	Chairman of the Board of Executive Director
3. Mr. Worapon Lopansri	Independent Director and Chairman of Audit and Corporate Governance Committee
4. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee Member
5. Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee Member
6. Mrs. Niramon Rujirasopon	Director
7. Mr. Jaraspon Rujirasopon	Director
8. Mr. Thanakrit Rujirasopon	Director
9. Miss Panchama Vipamas	Director
10. Mr. Charoenphan Phantumongkol	Independent Director

### Roles and Responsibilities of the Board

**Board of Directors** held these following responsibilities as follow:

1. Administer the corporate affairs in compliance with all relevant laws and regulations, the Company's objectives and Articles of Association, including the resolutions of the shareholders' meetings, except for issues where the approval of the shareholders' meeting is required prior to implementation, such as related transactions, acquisition or sale of substantial assets according to the criteria of the Stock Exchange of Thailand (the SET)

2. Review and approve major issues, such as policies, business plans and budgets, corporate governance policies, and other issues as prescribed by the SET or by law.
3. Monitor and follow up the management to perform businesses to be complied with the approved policies and plans.
4. Appoint an Audit Committee and other sub-committees.
5. Establish reliable accounting, financial reporting, and financial audit systems, as well as to ensure that the efficient and effective internal control system is in place.
6. Establish a risk management policy to cover all activities of the company with effective reporting and monitoring.
7. Report on the Board of Directors' responsibilities in the preparation of the financial statements, which is to be presented together with the report from the independent auditor in the annual report.
8. Provide equitable treatment of shareholders and other stakeholders, i.e. to avoid conflict of interest, to ensure operational transparency, and to disclose sufficient and accurate information.
9. Recommend the proper board's remuneration and other recommendations on any particular issues to shareholders for their considerations.
10. Appoint the company secretary to serve the board by providing legal advice, taking care of the board's activities, and monitoring compliance with board resolutions.

### **Board of Directors Performance Evaluation**

The purpose of a Board of Directors performance evaluation is to identify opportunities to improve their governance performance following these criteria.

- 1) Nomination and remuneration committee reviewed the precision of evaluation form to meet the criteria of SET guidelines
- 2) Corporate secretary summarized the result of board of directors performance evaluation
- 3) Corporate secretary reported the result of evaluation to the board of directors for their consent and operated the solution to a more efficient operation

The overall board of directors' performance evaluation is divided into 6 issues:

1. Structure and qualification of Board of Directors
2. Roles and responsibilities of Board of Directors
3. Board of Director's meeting
4. Board of Director's Action
5. Relationship toward the Executive
6. Board of Directors Development and Executive Development

The overall score of the Company's Board of Directors this 2014 is 87.50 which considered being on a good score scale.

The Board of Directors meetings are scheduled to be held at least once every quarter. The special meeting(s) may be called when it deems necessary. In 2014, there were 5 meetings:

Name	Number of Attendances/ Number of Meeting
1. Mr. Somchai Sakulsurarat	5/5
2. Mr. Charoen Rujirasopon	5/5
3. Mr. Worapon Lopansri	3/3
4. Mrs. Niramon Rujirasopon	5/5
5. Mr. Jaraspon Rujirasopon	5/5
6. Mr. Thanakrit Rujirasopon	5/5
7. Miss Panchama Vipamas	5/5
8. Mr. Charoenphan Phantumongkol	5/5
9. Mr. Prasarn Marukpitak	5/5
10. Mr. Chusak Vijakkhana	5/5

## 7.2 Executives

As of December 31, 2014, the management team consisted of 6 members as follows:

Name	Position
<b>1. Mr. Charoen Rujirasopon</b>	-Chief Executive Officer
<b>2. Mrs. Niramon Rujirasopon</b>	-Deputy Chief Executive Officer, -Acting Marketing Director (Marketing 2, Frozen Foods), (Marketing 4, Processed Seafood )
<b>3. Mr. Jaraspon Rujirasopon</b>	- Assistant Chief Executive Officer (Operation) - Acting Quick-Service Restaurant Director (T)
<b>4. Mr. Jarunpoj Rujirasopon</b>	- Assistant Chief Executive Officer (Supporting Function) - Acting Quality Management and Organization Development Director
<b>5. Mr. Songkiat Rujirasopon</b>	-Assistant Chief Executive Officer (Procurement 1)
<b>6. Mr. Anucha Chawakijkosol</b>	-Chief Finance Officer (Acting) -General Manager of Accounting and Finance

### Change in Management Position after December 31, 2014

After 31 December 2014 or before submitted Annual Report, there were some changes in company's management as follow:

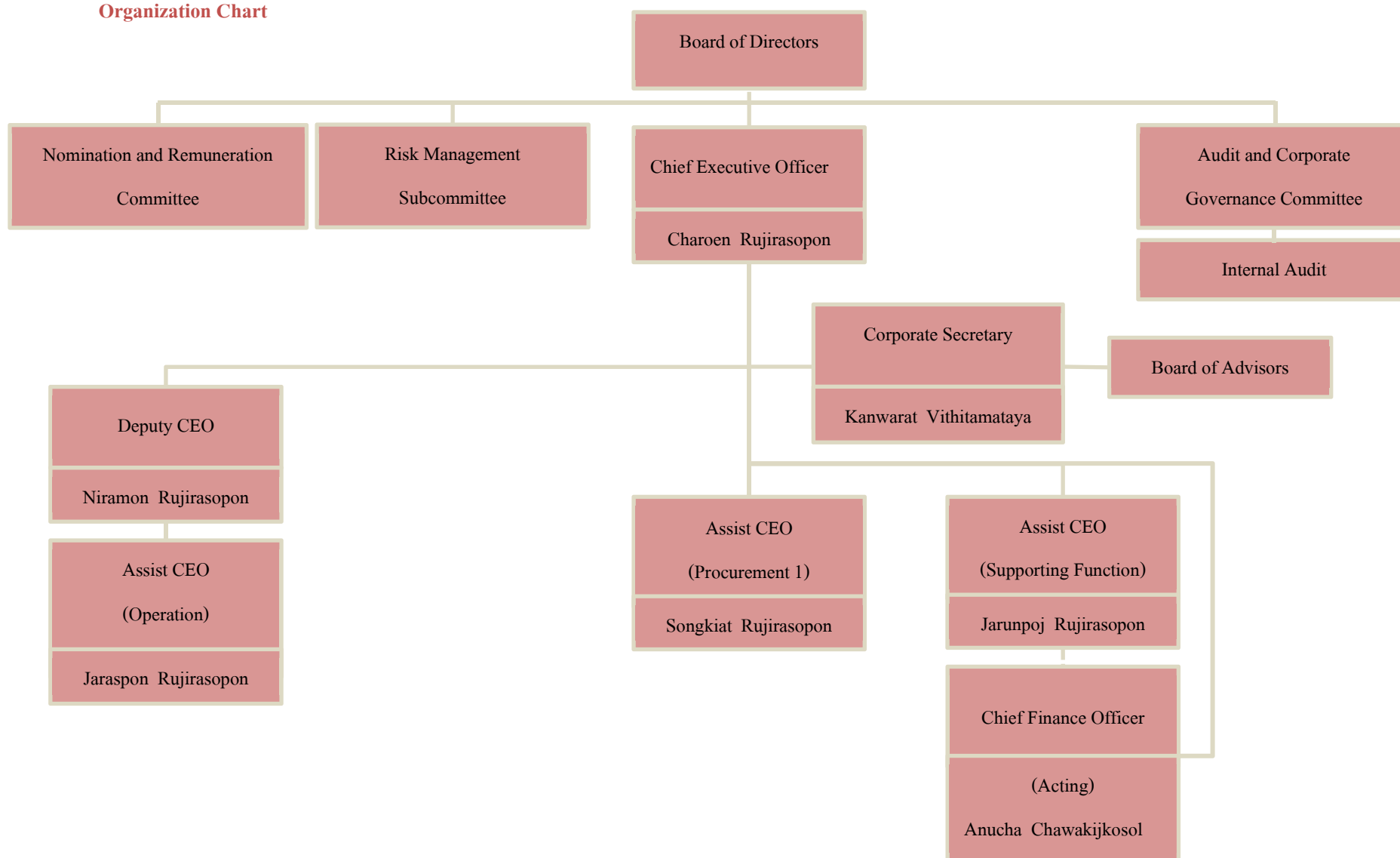
1. Mr.Jaraspon Rujirasopon as Assistant Chief Executive Officer (QSR Function), since 1 January 2015. And Acting Quick-Service Restaurant Director (T) was terminated on 1 Feb 2015, due to be replaced by Mr. Surin Pulsawat as Quick-Service Restaurant

Director (T), since 2 Feb 2015.

2. Mr. Jarunpoj Rujirasopon as Acting Human Resources and Administrative Director, since 1 Jan 2015.
3. Mr. Anucha Chawakijkosol as Acting Chief Finance Officer and Chief Finance Officer (Acting) position was cancelled sine 1 Jan 2015.



## Organization Chart



SORKON's top management by SEC's Definition.

## **Details of Directors and Executives**

**Mr. Somchai Sakulsurarat, Age 66**

**Chairman of the Board of Directors**

**Independent Director**

### **Education and Training**

- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Bachelor of Economics (English program), Thammasat University
- The Joint State-Private Sectors Regular Course, National Defense College
- Certificate of Financial and Banking, Associateship Diploma of the Institute of Bankers, London
- Advance Certificate Course in Public Administration and Law for Executives, King Prajadhipok's Institute
- Director Certification Program, Thai Institute of Directors Association

**Percentage of Shareholding (%) – None**

**Relationship with Company's Executive (s) – None**

### **Experiences over the Past 5 Years**

2011 – Present	Director	West Coast Engineering Co., Ltd
2011 – Present	Chairman of the Board of Directors	Prachuap Port Co.,Ltd
2010 – Present	Deputy Chairman of the Board of Directors	Sahaviriya Steel Industries Plc.
2010 – Present	Independent Director	S.Khonkaen Foods Plc.
2009 – Present	Chairman of Audit and Corporate Governance Committee and Independent	Globlex Holding Management Plc.
2005 – Present	Director	Chumporn Palm Oil Industry Plc.
2003 – Present	Chairman of the Board of Directors	S.Khonkaen Foods Plc.
2004 – 2013	Chairman of the Board of Directors	Thai Agro Exchange Plc.
2006 – 2008	Chairman of the Board of Directors	
	Member of The National Legislative Assembly, Thailand	

**Mr. Charoen Rujirasopon, Age 67**

**Chief Executive Officer**

**Chairman of the Board of Executive Directors**

**Chairman of Risk Management Subcommittee**

**Education and Training**

- Honorary Doctorate in Food Science, Rajamangala University of Technology Lanna
- Master of Arts (Leadership in Society, Business and Politics), Rangsit University
- Bachelor of Laws, Ramkhamhaeng University
- Advanced Certificate Course in Public Administration and Law for Executives, King Prajadhipok's Institute
- Director Accreditation Program (DAP), Thai Institute of Directors Association
- Capital Market Academy (CMA. Alumni 15)

**Percentage of Shareholding (%) – 30.57%**

**Relationship with Company's Executive (s) –** Mrs. Niramorn's spouse, Mr. Jarasopon and Mr. Jarunpoj's father, Mr. Songkiat's brother, Mr. Thanakrit's uncle

**Experiences over the Past 5 Years**

2014 – Present	Nomination and Remuneration Committee	S. Khonkaen Foods Plc.
2014 – Present	Chairman of Risk Management Subcommittee	S. Khonkaen Foods Plc.
2012 – Present	Chairman of the Board of Executive Directors	S. Khonkaen Foods Plc.
2005 – Present	Chief Executive Director	S. Khonkaen Foods Plc.
2013	Acting Human Resources and Administrative Director	S. Khonkaen Foods Plc.
1993 – 2002	Chairman of the Board of Directors	S. Khonkaen Foods Plc.
2003 – Present	Director and Chairman of the Board of Directors	SKK Foods Co.,Ltd.
2003 – Present	Director and Chairman of the Board of Directors	Mahachai Food Processing Co.,Ltd.
2003 – Present	Director and Chairman of the Board of Directors	S. Pasusat Co.,Ltd.

**Mrs. Niramon Rujirasopon, Age 64**

**Executive Director**

**Deputy Chief Executive Officer**

**Risk Management Subcommittee**

**Acting Marketing Director (Marketing 2- Frozen Foods, and Marketing 4 – Processed Seafood)**

**Education and Training**

- Bachelor of Economics (Industrial Economics), Ramkhamhaeng University
- Director Accreditation Program (DAP), Thai Institute of Directors Association
- Director Certification Program (DCP), Thai Institute of Directors Association

**Percentage of Shareholding (%) – 17.84%**

**Relationship with Company's Executive (s) –** Mr. Charoen's spouse, Mr. Jaraspon and Mr. Jarunpoj's mother

**Experiences over the Past 5 Years**

2014 – Present	Risk Management Subcommittee	S. Khonkaen Foods Plc.
2013 – Present	Acting Marketing Director (Marketing 4- Processed Seafood)	S. Khonkaen Foods Plc.
2013 – 2014	Acting Marketing Director (Marketing 3- Traditional Thai Foods)	S. Khonkaen Foods Plc.
2012 – Present	Acting Marketing Director (Marketing 2- Frozen Foods)	S. Khonkaen Foods Plc.
2008 – Present	Chairman	Thai Food for International Trade Employers' Association
2005 – Present	Deputy Chief Executive Officer	S. Khonkaen Foods Plc.
2005 – Present	Deputy Chief Executive Officer	SKK Foods Co.,Ltd.
2005 – Present	Deputy Chief Executive Officer	Mahachai Food Processing Co.,Ltd.
2003 – Present	Executive Director	S. Khonkaen Foods Plc.
2003 – Present	Executive Director	SKK Foods Co.,Ltd.
2003 – Present	Executive Director	Mahachai Food Processing Co.,Ltd.
2003 – Present	Executive Director	S. Pasusat Co.,Ltd.
2003 – Present	Executive Director	Earth Wealth Mining Co.,Ltd.

**Mr. Jaraspon Rujirasopon, Age 32**

**Executive Director**

**Assistant Chief Executive Officer (Operation Function)**

**Acting Quick-Service Restaurant Director (T)**

**Education and Training**

- M.B.A. (Marketing), Aston University, Birmingham, UK
- Bachelor of Arts in Communication Management, Chulalongkorn University
- Financial Statements for Directors (FSD)
- Director Accreditation Program (DAP), Thai Institute of Directors Association

**Percentage of Shareholding (%) – 0.57%**

**Relationship with Company's Executive (s)** – Son of Mr. Charoen and Mrs. Niramorn, Mr. Jarunpoj's brother, Mr. Songkiet's nephew, Mr. Thanakrit's first cousin

**Experiences over the Past 5 Years**

2014	Assistant Chief Executive Officer (Operation Function), Acting Quick-Service Restaurant Director (T)	S. Khonkaen Foods Plc.
2013 – 2014	Assistant Deputy Chief Executive Officer	S. Khonkaen Foods Plc.
2008 – Present	Executive Director	S. Khonkaen Foods Plc.
2012 – 2013	Quick Service Restaurant Director,	S. Khonkaen Foods Plc.
2011	Foods & Beverage Director, Acting Quick Service Restaurant Director, Senior Manager (Marketing 4 – Frozen Food), Acting Marketing Director (Marketing 1 – Snack)	S. Khonkaen Foods Plc.
2009 – 2011	General Manager (Marketing 3 – Snack), General Manager – Poland Project	S. Khonkaen Foods Plc.
2009	General Manager (Marketing 3 – Snack and Ready-To-Eat meals)	S. Khonkaen Foods Plc.



**Mr. Jarunpoj Rujirasopon, Age 29**

**Assistant Chief Executive Director (Supporting Function)**

**Risk Management Subcommittee**

**Education and Training**

Bachelor of Business Administration , Chulalongkorn University

**Percentage of Shareholding (%) – 4.49 %**

**Relationship with Company's Executive (s) –** Son of Mr. Charoen and Mrs. Niramorn, Mr.Songkiat's nephew, Mr. Thanakrit's second cousin , Mr. Jaraspon's brother

**Experiences over the Past 5 Years**

2014 – Present	Assistant Chief Executive Director (Supporting Function)	S. Khonkaen Foods Plc.
2014 – Present	Risk Management Subcommittee	S. Khonkaen Foods Plc.
2013	Acting Strategy and Business Development Director, Acting Information System and Technology Director, Acting Assistant Chief Executive Director (Support),	S. Khonkaen Foods Plc.
2012 – 2014	General Manager Strategy Plan	S. Khonkaen Foods Plc

**Mr. Thanakrit Rujirasopon, Age 48**

**Executive Director**

**Production Director 1**

**Education and Training**

- Bachelor of Engineering (Mechanical Engineering), Prince of Songkla University
- Director Accreditation Program (DAP), Thai Institute of Directors Association

**Percentage of Shareholding (%) – None**

**Relationship with Company's Executive (s) –** Nephew to Mr. Charoen and Mr. Songkiat, Mr. Jaraspon and Jarunpoj's cousin

**Experiences over the Past 5 Years**

2013 – Present	Executive Director	S. Khonkaen Foods Plc.
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2002 – 2012	Executive Director	S. Khonkaen Foods Plc.
2002 – Present	Production Director 1	S. Khonkaen Foods Plc

**Ms. Panchama Vipamas, Age 64**

**Executive Director**

**Risk Management Subcommittee**

**Education and Training**

- M.B.A., Thammasat University
- Master of Accountancy, Chulalongkorn University
- Bachelor of Laws, Sukhothai Thammathirat Open University
- Bachelor of Accountancy, Chulalongkorn University

**Percentage of Shareholding (%) – 0.02%**

**Relationship with Company's Executive (s) – None**

**Experiences over the Past 5 Years**

2014 – Present	Risk Management Subcommittee	S. Khonkaen Foods Plc.
2013 – Present	Group Finance Director, Carabao Tawandaeng Group	Carabao Group Co.,Ltd Carabao Tawandaeng Co.,Ltd Tawandaeng DCM Co.,Ltd Asia Pacific Glass Co.,Ltd
2009 – Present	Executive Director	S. Khonkaen Foods Plc.
2007 – Mar 2014	Excutive Director	Carabao Tawandaeng Co.,Ltd
2003 – 2013	Accounting and finance Director	Carabao Tawandaeng Co.,Ltd
1994 – 2008	Director	S. Khonkaen Foods Plc.

**Mr. Charoenphan Phantumongkol, Age 83**

**Independent Director and Chairman of Nomination and Remuneration Committee**

**Education and Training**

- Higher Certificate of Accountancy (Equivalent to BA), Thammasat University
- Director Accreditation Program (DAP), Thai Institute of Directors Association
- Internal Control and Risk Management, SET

**Percentage of Shareholding (%) – None**

**Relationship with Company's Executive (s) – None**

**Experiences over the Past 5 Years**

2014 – Present	Consultant – Accounting and Finance	Amtel Group Bangkok Co.,Ltd
2014 – Present	Chairman of Nomination and Remuneration Committee	S.Khonkaen Foods Co.,Ltd.
2000 – Present	Independent Director	S.Khonkaen Foods Co.,Ltd.
2000 – 2014	Chairman of Audit and Corporate Governance Committee	S.Khonkaen Foods Co.,Ltd.
1998 – 2008	Consultant – Accounting and Finance	Amtel Group Bangkok Co.,Ltd
1998 – 2008	Managing Director	Ch Samphan Karn Banchee Co.,ltd

**Mr. Prasarn Marukpitak, Age 66**

**Independent Director and Audit and Corporate Governance Committee Member**

**Education and Training**

- Bachelor of Arts (Political Science), Chulalongkorn University
- Director Accreditation Program (DAP), Thai Institute of Directors Association

**Percentage of Shareholding (%) – None**

**Relationship with Company's Executive (s) – None**

**Experiences over the Past 5 Years**

2014	Member of the National Reform Council	
2014 – Present	Audit and Corporate Governance Committee	S. Khonkaen Foods Plc.
1994 – Present	Director and Independent Director	S. Khonkaen Foods Plc.
1988 – Present	Chairman of the Board of Directors	Chewit Thurakit Co.,Ltd.
1981 – Present	Business Narrator, Government and State Enterprises	
2011 - 2012	Advisor to Ms. Supinya Klangnarong (NBTC – Director)	
2008 – 2010	Senator: Academic Sector	
2007 – 2008	Director	Government Pharmaceutical Organization
1999 – 2014	Audit and Corporate Governance Committee	S. Khonkaen Foods Plc.

### **Mr. Chusak Vijakkhana, Age 64**

#### **Independent Director and Audit and Corporate Governance Committee Member**

#### **Education and Training**

- Bachelor of Laws (Hon.), Thammasat University
- Director Accreditation Program (DAP), Thai Institute of Directors Association

**Percentage of Shareholding (%) – None**

**Relationship with Company's Executive (s) – None**

#### **Experiences over the Past 5 Years**

2014 – Present	Director	Chaophya Hospital Plc.
	Managing Director	Marvel Media Co.,Ltd.
	Director	Wealthy Health Care Co.,Ltd.
	Director	Thai Value care Plc.
2014 – Present	Audit and Corporate Governance Committee	S. Khonkaen Foods Plc.
2014 – Present	Nomination and Remuneration	S. Khonkaen Foods Plc.

	Committee	
2010 – Present	Independent Director	S. Khonkaen Foods Plc.
2004 – Present	Director	S. Khonkaen Foods Plc.
2004 – 2014	Audit Committee	S. Khonkaen Foods Plc.
2000 – Present	Managing Director	P.S.D. & Associates Co.,Ltd.
2000 – Present	Independent Director/ Audit Committee	Mahachai Hospital

### **Mr. Worapon Lopansri, Age 50**

**Independent Director and Chairman of Audit and Corporate Governance Committee**

**Director and Independent Director**

#### **Education and Training**

- Master of Accountancy, Thammasat University
- Director Certification Program (DCP), Thai Institute of Directors Association
- Audit and Corporate Governance Committee Program (ACP), 45-2013

**Percentage of Shareholding (%) – 0.0247%**

**Relationship with Company's Executive (s) – None**

#### **Experiences over the Past 5 Years**

2014 – Present	Chairman of Audit and Corporate Governance Committee	S. Khonkaen Foods Plc.
2014 – Present	Director and Independent Director	S. Khonkaen Foods Plc.
2005 – Present	Senior Director of Internal Audit	MSIG Insurance (Thailand) Plc.

### **Mr. Songkiat Rujirasopon, Age 58**

**Assistant Chief Executive Officer (Procurement 1)**

#### **Education and Training**

- Bachelor of Laws, Chulalongkorn University

**Percentage of Shareholding (%) – 3.47%**

**Relationship with Company's Executive (s)** – Mr. Charoen's brother, Uncle of Mr. Thanakrit, Mr. Jaraspon and Mr. Jarunpoj

**Experiences over the Past 5 Years**

1984 – Present	Assistant Chief Executive Officer (Procurement 1)	S. Khonkaen Foods Plc.
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**Mr. Anucha Chawakijkosol, Age 33**

**Chief Finance Officer (Acting)**

**Risk Management Subcommittee**

**General Manager of Accounting and Finance**

**Education and Training**

- Bachelor of Business Administration (Accounting), Chulalongkorn University

**Percentage of Shareholding (%)** – 0.01%

**Relationship with Company's Executive (s)** – None

**Experiences over the Past 5 Years**

2014 – Present	Risk Management Subcommittee	S.Khonkaen Foods Plc.
2014	Chief Finance Officer (Acting)	S.Khonkaen Foods Plc.
2013 – Present	General Manager of Accounting and Finance	S.Khonkaen Foods Plc.
2010 - 2012	Accounting Manager	Nestlé (Thai) Ltd.

**Ms. Kanwarat Vithitamataya, Age 61**

**Corporate Secretary**

**Education and Training**

- Pursuing Bachelor Degree in Laws, Ramkhamhaeng University
- Seminar on Effective Shareholders' Meeting Arrangement, The Institute of Internal Auditor of Thailand

**Percentage of Shareholding (%)** – None

**Relationship with Company's Executive (s)** – None

### Experiences over the Past 5 Years

2008 – Present	Corporate Secretary	S. Khonkaen Foods Plc.
2004 – 2014	Acting Director - CEO's Office	S. Khonkaen Foods Plc.

### 7.3 Corporate Secretary

**The Board of Directors has had a resolution to appoint Ms.Kanwarat Vithitamataya to be a corporate secretary since 13<sup>th</sup> August, 2008.**

Responsibilities of Corporate Secretary for the following matters on behalf of the Company or the Board of Directors:

1. Responsibilities toward The Securities and Exchange Act (4) B.E. 2009 section 89/15
  - 1.1 Preparing and keeping the following documents;
    - a. A register of directors
    - b. Notice of the Board of Directors' Meeting, Minutes of the Board of Directors' Meeting, and the Company's annual report
    - c. Notice of the shareholders' meeting and minutes of the shareholders' meeting
  - 1.2. Keeping the reports of interest filed by the directors or executives;
  - 1.3. Performing other acts as specified in the notification of the Capital Market Supervisory Board.
2. Other related duties
  - 2.1 Granting opinion about related laws, regulation, and Company's rule to Board of Directors.
  - 2.2 Communicate the shareholders about their rights and the Company's news update.
  - 2.3 Encourage the Company to operate by the rule of Corporate Governance conduct.

### 7.4 Monetary Remuneration

#### a. Remuneration of Directors

The remuneration of the directors, independent directors, and Audit and Corporate Governance Committee members are in form of annual compensation and meeting allowances. Summary of the remuneration paid to the Board of Directors and the Audit and Corporate Governance Committee are as follows:



Name	Position	Meeting allowances (Baht)	Annual Compensation (Baht)
1. Mr. Somchai Sakulsurarat	Chairman of the Board of Directors (Independent Director)	111,000	216,000
2. Mr. Charoen Rujirasopon	Chairman of the Board of Executive Directors	-	144,000
3. Mrs. Niramon Rujirasopon	Executive Director	-	72,000
4. Mr. Jaraspon Rujirasopon	Executive Director	-	72,000
5. Mr. Thanakrit Rujirasopon	Executive Director	-	72,000
6. Miss Panchama Vipamas	Executive Director	47,000	144,000
7. Mr. Worapon Lopansri	Chairman of Audit and Corporate Governance Committee	72,000	-
8. Mr. Charoenphan Phantumongkol	Director and Independent Director	114,000	168,000
9. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee	84,000	156,000
10. Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee	92,500	156,000

The total remuneration of 10 directors in 2014 was equal to Baht 1,720,500. Annual compensation and meeting allowances was equal to Baht 520,500 and Baht 1,200,000, respectively.

**Note:**

The company pays the remuneration to directors based on the performance of the prior year. Mr. Worapon Lopansri was not entitled to receive the Annual compensation in 2014 since he was appointed as a Director,

Independent Director, and Chairman of Audit and Corporate Governance Committee in the 2<sup>nd</sup> quarter of the year 2014.

#### **b. Remuneration of Executives**

In 2014, the Company paid remuneration to the 6 executives in the amount of Baht 11,020,350 in term of the remuneration as below :

1. Salary	Baht 10,052,100
2. Bonus	Baht 717,500
3. Social Security	Baht 48,750
4. Travelling expenses	Baht 185,000
5. Telephone Bill	Baht 17,000

#### **c. Other Remuneration of Executives**

The company has not yet established the provident fund.

### **7.5 Human Resources**

As of December 31, 2014, the company and its subsidiaries totally had 1,771 employees. The total remuneration of Baht 420.34 million were paid to employees in term of salary, overtime, bonus, social security, and other fringe benefits. Number of employees classified by departments and their remunerations are illustrated in the table below:

<b>YEAR2014</b>	<b>Operation Staff (Person)</b>	<b>Management (Person)</b>	<b>Total (Person)</b>	<b>Employee's Benefit (Million Baht)</b>
<b>S. KhonKaen Foods Public Company Limited</b>	<b>1,102</b>	<b>74</b>	<b>1,176</b>	<b>298.22</b>
<b>-President's Office Function</b>	3	2	5	
<b>-Deputy President's Office Function</b>	3	8	11	
<b>-QSR</b>	189	7	196	
<b>-Production 1</b>	539	8	547	

<b>YEAR2014</b>	<b>Operation Staff (Person)</b>	<b>Management (Person)</b>	<b>Total (Person)</b>	<b>Employee's Benefit (Million Baht)</b>
<b>-Production 2</b>	239	4	243	
<b>-Sales (Export)</b>	2	2	4	
<b>-Sales (Domestic)</b>	36	4	40	
<b>-Procurement</b>	9	2	11	
<b>-Internal Audit</b>	2	1	3	
<b>-Human Resources and Administrative</b>	12	8	20	
<b>-Customer Service</b>	11	2	13	
<b>-Quality Management and Organization Development</b>	2	1	3	
<b>-Accounting and Finance</b>	24	10	34	
<b>-Information Technology</b>	5	2	7	
<b>-Marketing</b>	17	5	22	
<b>-Research and Development</b>	9	7	16	
<b>-S. Khonkaen Foods (Netherlands) B.V.</b>	-	1	1	
<b>S. Pasusat Company Limited</b>	<b>71</b>	<b>4</b>	<b>75</b>	<b>12.68</b>
<b>Mahachai Food Processing Company Limited</b>	<b>461</b>	<b>9</b>	<b>470</b>	<b>92.52</b>
<b>S.K.K. Food Company Limited</b>	<b>43</b>	<b>7</b>	<b>50</b>	<b>16.92</b>
<b>Total</b>	<b>1,677</b>	<b>94</b>	<b>1,771</b>	<b>420.34</b>

Note:

1. Operation staffs range from wages to section managers
2. Executives range from Department Head to Chief Executive Office

## Human Resource Development

In 2014, the company continuously provided adequate training courses to employees. Average training hours per employee was equal to 9.67 hours, growth 26% from last year. Major training courses provided in 2014 are summarized below :

### Training Courses Schedule

Categories	Courses
1. Fundamental	<ul style="list-style-type: none"><li>- Employee Orientation</li><li>- Work Principals</li><li>- Public Mind</li><li>- How to use the form and understand the process of “Non-PO and letter of Travel Approval”</li><li>- How to use Non-PO Form</li><li>- Microsoft Office</li><li>- OJT</li><li>- SharePoint 2010</li></ul>
2. Quality System	<ul style="list-style-type: none"><li>- Add Value and Strengthen Food Safety with the Ability Laboratory Standard ISO/IEC</li><li>- Food Safety Risk Assessment by Food Safety Research and Risk Assessment Center</li><li>- GMP &amp; HACCP</li><li>- ISO 50001</li><li>- Regulation and Guidelines for Bacillus Cereus Detection in Food Products</li><li>- The Effective of Sampling Plan and Environmental monitoring for Food Risk Management</li><li>- Quality Control in Laboratory</li><li>- Checking Pre-Packaged Commodity</li><li>- ISO 9001:2008 Compliances</li><li>- Proficiency tasting of Food Analysis in Microbiology (MI-16-57)</li><li>- Increase Performance and Reduce Risk in Titration and Sodium Analysis</li></ul>

Categories	Courses
	<ul style="list-style-type: none"> <li>- Building Quality Awareness</li> <li>- GMP</li> <li>- HACCP</li> <li>- Metrology and Quality Management System</li> <li>- Sensory Evaluation Techniques and Consumer tasting for Product Development</li> <li>- ISO 22000:2005</li> <li>- ISO 14046 Water Footprint</li> <li>- CCP Principal</li> <li>- Rules and Regulations on inspection and export aquatic animals</li> <li>- Workshop on Evaluation of Water Footprint in Thai Food Industry</li> </ul>
3. Safety and Environment	<ul style="list-style-type: none"> <li>- Prevent and Control New Epidemics</li> <li>- Health Promotion</li> <li>- Basic First Aid</li> <li>- Fire fighting and emergency evacuation training 2014</li> <li>- Forklift Safety and Maintenance</li> <li>- Safety Committee</li> <li>- Safety Work Handout and regulations</li> <li>- Employer Role on Occupational Safety</li> <li>- Safety for Work</li> <li>- Safety for Chemical Usage</li> <li>- Emergency team rehearsal</li> <li>- Development for Potential Network for Drug Elimination Project</li> <li>- Building Protection and Preventing Drug Problems in the Work Place Standard</li> <li>- Operating Protection and Preventing Drug Problems in the Work Place Standard</li> <li>- Waste Management in Industrial Estate</li> <li>- Water Management for Sustainability in Thai Food Industry</li> <li>- Green Industry 2014</li> <li>- Workshop on 23 (3) support from the Office of Environmental Fund</li> </ul>

Categories	Courses
	<ul style="list-style-type: none"> <li>- Encouraging energy conservation in industrial section.</li> <li>- Supporting and Caring for energy conservative as required by the law</li> <li>- Energy Saver Mind</li> </ul>
4. Management	<ul style="list-style-type: none"> <li>- Chief Financial Officer Certification Program รุ่นที่ 18</li> <li>- Good Practices Sharing</li> <li>- People Strategy for Sustainable Growth in Turbulent Time</li> <li>- Strategic Forum 2015</li> <li>- Thailand Quality Conference &amp; The 15<sup>th</sup> Symposium on TQM-Best Practices in Thailand</li> <li>- TQM Best-Practice Awards #15</li> <li>- Globalization and HRD</li> <li>- Building Business Strategies</li> <li>- Building Company's Core Value</li> <li>- Company's vision, mission, and core values</li> <li>- Understanding the organization for analysis and time management</li> <li>- Why Risk Management is important in food industry?</li> <li>- Performance evaluation to justify on the talent road</li> <li>- Change!</li> <li>- HRD and guidelines for HRD</li> <li>- Selection Process to match the need of organization</li> <li>- HRD in Social Media</li> <li>- Becoming a leader</li> </ul>
5. Productivity	<ul style="list-style-type: none"> <li>- Kaizen, Cost Reduction Techniques</li> <li>- Activities to Increase Productivity</li> <li>- Increase Productivity for Manager</li> <li>- Path of success in cost reduction and productivity in food industry with increase in productivity and logistics management</li> </ul>

Categories	Courses
6. Others	<ul style="list-style-type: none"> <li>- 8 techniques 249 methods of DIF or DIE</li> <li>- CCNAX (200-120)</li> <li>- Cost Training &amp; Variance Analysis</li> <li>- Healthy Food, Good Life</li> <li>- Integrated Brand Communication</li> <li>- Microsoft Certificate System Expert</li> <li>- Microsoft MCSA</li> <li>- Road Map #27 Meat &amp; Poultry</li> <li>- Sea Food Edition</li> <li>- Trend and Innovation of Flexible Packing 2014</li> <li>- Food Laws and Regulations and Bill of responsibilities toward unsafely products</li> <li>- Pest Control</li> <li>- Job Description</li> <li>- Trademark protection in ASEAN and China</li> <li>- Account for financial statement and check the organization's health with financial statement</li> <li>- Financial Statement 2015</li> <li>- From license to corporate: value added for food industry</li> <li>- Professional Sales Skills</li> <li>- MC in the Kitchen</li> <li>- Bio Diesel from compact maker for sustainability economic</li> <li>- HR System</li> <li>- Labor knowledge for aging employee</li> <li>- Understand the law of supporting disability employment in organization</li> <li>- Product's Label in operation</li> <li>- Service Mind</li> <li>- Tax</li> <li>- Clean Food &amp; Safety</li> <li>- Social Security Welfare</li> <li>- Fundamental in evaluate the placement test</li> </ul>



Categories	Courses
	<ul style="list-style-type: none"> <li>- Labor Law 2014</li> <li>- Developing and elevating food safety in export food industry</li> <li>- Compensation's fund in organization</li> <li>- 50 years Academic Seminar</li> <li>- Cost Reduction Techniques</li> <li>- Thai and the business food center of Halal Food</li> <li>- Managing accountant for decision maker</li> <li>- Social Security Pension</li> <li>- Effects of errors and changes in financial estimate and statement 2014</li> <li>- QA &amp; QC in Factory</li> <li>- Zaap Express Service Standard</li> <li>- Accountant problems</li> <li>- E-Documents</li> <li>- Contract and Tax</li> <li>- Exchange knowledge to manager and head of SGA</li> <li>- Danger of recycle vegetable oil in food</li> <li>- Chemical and Cleaning Agents</li> <li>- Metal Detector</li> <li>- Halal Food</li> <li>- Insect and animal carrier</li> <li>- Mentoring</li> </ul>

Detail of average training hours per employee of the year 2014 as follow :

Company	Average training hours per employee
<b>S. KhonKaen Foods Public Company Limited</b>	9.67
<b>S. Pasusat Company Limited</b>	6.49
<b>Mahachai Food Processing Company Limited</b>	-
<b>S.K.K. Food Company Limited</b>	-
<b>S. Khonkaen Foods (Netherlands) B.V.</b>	-

## 8. Corporate Governance

### 8.1 Good Corporate Governance Policy

The Company's Board of Directors realizes that good corporate governance will increase overall company's competitiveness, and it will increase the confidence of the shareholders, investors and other company stakeholders as well.

This 2014, SORKON issued a written version of corporate governance policy "code of ethics" as a guidelines to the Board, the Executives and management, employee, and other stakeholders by The Stock Exchange of Thailand (SET) revised "The Principles of Good Corporate Governance for Listed Companies" which developed from the OECD countries and in accordance with CGR of IOD that improved to harmonize with ASEAN CG Scorecard.

The Company's good corporate governance policies were in line with the SET's Principles of Good Corporate Governance for Listed Companies, is in our Intranet and the website ([www.sorkon.co.th](http://www.sorkon.co.th)) under corporate governance subject, as summarized as follows:

#### Chapter 1: The Right of Shareholders

- The right to buy and sell or transfer shares with adequate and suitable information
  - The right to participate in the shareholder's meeting in order to express an opinion and to vote on important issues. As a shareholder, the committee must ask for the shareholder's opinion.
  - The right of election or removal of the Board's members, the setting of directors' remuneration, the external auditor appointment and its audit fee
  - The right to equally receive the profit sharing
- 1) The Company sent out the invitation to the shareholders and accompanying documents about suitable date, time, place, and the previous minutes of committee meeting that relevant to approval of articles in the meeting more than 7 days prior to the meeting. The announcement of the meeting must be published via newspaper for 3 consecutive days and prior than 3 days before the meeting. This information was also posted on the Company's website 30 days prior to the meeting.
  - 2) On dividend Policy, the company must declare its actual payment and provide compared information for consideration.

- 3) On nominating of the board of directors, the Company provided information about each candidate to the shareholders attached in invitation letter. The shareholder can elect the committee individually granting one shareholder equals one vote.
- 4) On appointing auditor, the Company must list the name of the auditor, their companies, and other information necessary to consideration of the auditor, including their budget in the invitation letter.
- 5) Chairman and head of finance or accountancy are responsible to attend the shareholder meeting to clarify and answer the question if needed
- 6) Explanation of the voting procedures and vote-counting procedures must be done prior to the meeting. Votes would be cast openly by having vote counter for counting votes and published the result in annual's shareholder meeting.
- 7) The Company listed the name of the Board of Directors, chairman of each sub-committee, and the CEO in the meeting's report and recording all the comments (agree, disagree, no comment) in every subjects concerning voting.
- 8) The Company provided an opportunity for shareholders to question concerning business conduct or propose items to be included in the agenda of the ordinary meeting of shareholders and/or nominate persons for election to become Directors prior to the determination of the meeting agenda
- 9) After the meeting, shareholders have the right to inform about the minutes and result of the vote.
- 10) The Company provided a facility to shareholders and institute investor in the meeting

The Board of Directors appreciates and respects the ownership rights of shareholders. No actions are taken to violate or infringe the rights of shareholders. The interests of shareholders are fairly safeguarded and the exercise of rights by all shareholder groups are supported and promoted, whether domestic or foreign, major shareholders, minority shareholders or institutional shareholders, incorporating both the fundamental rights of shareholders, access rights to information in a sufficient and timely manner, and the right to attend shareholders' meetings to determine directions for operations and decisions on matters having a significant impact on the Company

In 2014, Other than the principal right of shareholders, the Company adopted a new policy that will support and accommodate the conduct of these rights:

- 1) The Shareholder's meeting held on 24<sup>th</sup> April, 2014. All Directors attended including Chairman, Chief Executive Officer, Audit and CG committee, and 6 other directors, the other executives and auditors were participated.

- 2) The Company assigned the Thailand Securities Depository Co., Ltd. (TSD) which is the Company's registrar to send the meeting invitation with all relevant supporting information for various agendas with adequate comments from the Board of Directors to the shareholders not less than 14 days prior to the meeting date. The Company also announced the meeting date in the newspapers for 3 consecutive days prior to the meeting date. The Company up-loaded the notice and supporting information onto Company's website ([www.sorkon.co.th](http://www.sorkon.co.th)) before the meeting date so as to allow the shareholders time to review the information.
- 3) In case of the shareholders are unable to attend the meeting, the Company provides an opportunity for the shareholders to give proxy to an independent director or any other person to attend on their behalf. The Company has provided the brief information about each individual director's and the second type proxy forms (of Department of Business Development) with the invitation notice.
- 4) The company prepared the minutes of the meeting submitted to the SET within 14 days.
- 5) To make shareholders more convenient to attend the shareholders' meeting, The Company chose The InterContinental Bangkok hotel as the venue for the meeting since it is located at the heart of the town with sky-train passing by.

## **Chapter 2: The Equitable Treatment of Shareholders**

- 1) The Board of Directors should ensure that all fundamental shareholders rights are protected and they are treated equitably. The Board set the procedure to prevent the directors, management and employees from using inside information for abusive self-dealing, such as insider trading, as well as the disclosure of information by the directors and management regarding their interests and those of their related persons.
- 2) Shareholders are entitled to authorize others to attend shareholders' meetings and exercise their rights to vote on their behalf and receive all information about proxy forms and invitation letter. The authorized parties can attend the shareholders' meeting and fully exercise the right to vote upon certifying his or her status. Shareholders may submit their proxy forms to an independent director, and are entitled to receive complete biographical and career information of independent directors for decision-making.
- 3) In the shareholder's meeting the Company values all shareholders' investments in it by protecting their fundamental rights equally and fairly
- 4) When a transaction is considered a connected transaction according to the Announcement of the Stock Exchange of Thailand, the Board of Directors must declare details and reason of the transaction to shareholders.

- 5) The Company must declare its connected transaction to be done in judged manner, fair price, and good business conduct.
- 6) The Company issued a policy that the Board of Directors and the Executives must report their securities holding at least 1 day before the transaction date.

In case of the shareholders are unable to attend the meeting, the Company provides an opportunity for the shareholders to give proxy to an independent director or any other person to attend on their behalf by using any one of the two proxy forms (of Department of Business Development) that the Company provided together with the invitation notice and can be downloaded from the Company's website.

The Company has advised the directors and executives of their duty to report on their shareholdings in the Company and the punishment terms as stipulated in the Securities and Exchange Act B.E. 2535

(1992) and SET guideline for Listed Companies. When the director or executive acquires or divests the Company's securities, they must report their securities holding (and the holdings of their spouses and minor children of the securities of the Company) within 3 working days after the transaction date to the Securities and Exchange Commission for further dissemination to the public. The Company also requires the directors to report their securities holding at every Board of Directors' meeting.

### **Chapter 3: The Role of Stakeholder**

- 1) The Board of Directors appreciates and respects the rights of various stakeholders by having regard to rights under the law or agreement with the Company. Stakeholders are ensured that their rights are protected and that they are treated fairly and equitably. A policy has been prescribed as a guideline for the treatment of each stakeholder group, which has also taken into consideration the community, society and the environment, to promote sustainable development. Board of Directors assured that the stakeholder right shall protect and practice fairly.
- 2) The Board of Directors concerns about the good welfare of all employee by giving suitable payroll, offering training course for self-development, providing satisfied work environment, issue work safety and discipline.
- 3) The Company strives to satisfactorily represent the shareholders in advancing the businesses as well as generating a fair return to the stakeholders in accordance with the dividend policies of the Company and the requirement of laws and regulation.

The Company's policy is to operate its business with fairness to all groups of stakeholders. The treatment of all groups of stakeholders, including shareholders, customers, trade partners and creditors, competitors, employees, and society are summarized as follows:

#### Shareholders

The Company is prudentially managed with integrity and transparency for the benefit of the shareholders. The Company cautiously and carefully manages in order to protect shareholders' investments and refrain from using inside information for insider trading. It avoids not to have any conflicts of interests with the Company, as well as not to disclose any Company's confidential information to outsiders.

#### Customers

The Company's policy is to satisfy customers with safe and standard quality of products and services. Provide complete and accurate details of products without prejudice, and not too overstate the products' qualification in order to mislead customers. Products' price will be set to be faired to customers in accordance with the Consumer Protection Laws, as well.

#### Trade Partners and / or Creditors

The Company fairly conducts its business with trade partners and creditors based on mutual benefits which parties should obtain. The Company will strictly perform its obligations in accordance with terms and conditions of the agreement. In case any obligations are unlikely to be performed, the Company should inform the trade partners and/or creditors to mutually resolve the matter.

#### Competitors

The Company adheres to the rules of fair business competition. The Company refrains from seeking confidential information or trade secrets of the competitors and refrains from discrediting competitors via unprofessional manners.

#### Employees

The Company treats all employees equally. Remuneration policy is based on the principles of fairness,

which takes the job description, responsibilities and competency of each employee into consideration, and it is comparable with other companies within the same industry. The Company also continuously provides development programs to employees to develop their skills and abilities.

The Company provides employees an adequate welfare, i.e. social security fund, uniforms, annual health check-up, housing loan (co-operation with Government Housing Bank), in-house clinic, shuttle bus service, and other financial aids for employees. The Company provides employees a safety work place environment which is in accordance with the laws and international standards. Continuously provide employees knowledge and training on safety and the work environment.

The Company prohibits employees from violation of the intellectual property rights of others, regardless of domestic or foreign intellectual property. Pirated software is definitely not allowed to be used in the Company. Moreover the Company has a strong policy against corruption and bribery.

This year, the Company doesn't violate any labor issue, labor law, difficult employment, intellectual property right, corruption, and illegal business ethics.

#### Society and Environment

The Company is committed to involve in any activities that are beneficial to the society, communities, and environment as a whole.

Refrain from any activities that may damage the natural resources or will pollute the environment. To ensure the Company's operations are in accordance with relevant laws and regulations.

Build awareness among employees to create a harmonious society, develop virtue and morality, preserve good traditions, and instill a strong sense of social responsibility.

- 4) The Board of Directors established two-way communication channels for stakeholders and related parties to express their opinions and send complaints in case they have not received fair treatment from the Company. Shareholders and stakeholders are able to contact, file complaints or provide information through the Audit and Corporate Governance Committee at the address



below, in order to verify information, investigate the truth and proceed according to the Company's procedures.

## Channels for filing complaints

Email [dua@sorkon.co.th](mailto:dua@sorkon.co.th)

Postal Address	Chairman of Audit and Corporate Governance Committee
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**S. Khonkaen Foods Public Company Limited**

259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi  
Banomyong), North Prakanong, Vadhana, Bangkok, 10110

- 5) Board of Directors has a policy and code of conducts on anti-corruption and bribery for business profitability and has announced the practice publicly.

## Chapter 4: Disclosure and Transparency

- 1) The Company places importance on the disclosure of information with accuracy, completeness, transparency and equality for financial statements and general information, and also other information to shareholders, financial institute, investors, and other acquirer and the general public equally and fairly in accordance with SET guideline for disclosure and transparency.
- 2) The disclosure of information is included to all communication methods such as annual report, quarterly operating result report, news, press release, company's website, and etc. Moreover, the disclosure will cover speaking, meeting in group or between 2 people, and phone to analyst and investor.
- 3) The Company will communicate to investors, analysts, investor, and shareholders through CEO or company's representative such as head of internal audit and investor relations. The main responsibility is to communicate the operating result, company's status, and any transactions that affect the company to the relevant crowd. Shareholders and investors can contact directly to the investor relations via telephone : (66) 2339-3999 # 3291, fax : (66) 2711-2131 and email address : IR@Sorkon.co.th
- 4) Information that openly exposed are business's objectives, financial status, operating results, report of audit and CG committee, major shareholders, risk management, CG policy, and etc. The Board of Directors published a letter in annual report about risk management. Furthermore, the board revealed the attendance of each member compared to the meeting as well.
- 5) The Company will prevent confidential information from being disclosed to the public or to any employee unrelated to the data prior to formal announcement not until the data is correctly published to the public. In case of emergency revelation of the information to auditor, underwriter, bank, and

financial or other consultants, the Company will operate and make sure there will be no leaked. If the information leaked out, the Company will publish the information immediately in accordance to the SET's guideline. If necessary, the company will inform SET to temporary remove the trading. Some rare case, the information must be withholding the publication due to business reasons (affecting business negotiation)and postpone until suitable.

- 6) The Company is highly concerned about the use of the Company's inside information for personal interests especially in the time and date of sending the data to SET beginning from the end of quarter to the announcement system of SET, except a problem or situation in company's operation result is significantly deviance making the misunderstanding to the user. Until then, the Company will publish the information to SET.
- 7) The Company has set up the Investor Relations on a website ([www.sorkon.co.th](http://www.sorkon.co.th)) in conducting proactive investor relations activities, according to best practices to promote effective communication channels with investors, analysts and other related parties. The Company will work on full attempt to operate the website to its full capacity and up to date. Even though the outlook might be slightly different but the content must not be differed significantly.

The Board of Directors is responsible for the consolidated financial statements of the Company and its subsidiaries prepared in conformity with generally accepted accounting principles. The financial statements were unconditionally certified by the auditor approved by the SEC.

Chief Executive Officer (CEO) is the person who disseminates information to investors and general public via his press interview. The Company has established the Investor Relationship (IR) Department to specifically handle investor relations to communicate with outsiders such as investor, institutional,, retail investors, and analysts.

In 2014, the Company joined Opportunity Day (arranged by SET for listed companies to meet investors) to present its business operation to analysts, retail investors, institutional investors, and shareholders 1 time.

## **Chapter 5: Responsibilities of the Board of Directors**

### **1. Structure of Board of Directors**

The Company's Board of Directors comprises of independent directors exceeds one-third of the total number of directors providing appropriate balance in decision making process of the Board. As of December 31<sup>st</sup>, 2014, the Company had 10 directors comprised of 5 executive directors and 4 independent directors. This Board structure is in accordance with the SEC's regulation.

The Company has clearly separated the roles and responsibilities of the Board of Directors from those of management. The Board is responsible for setting the overall corporate policy and as well as supervising, monitoring and evaluating the operational performance of the management to ensure that it is in accordance with the policy. The Chairman of the Board has more duties than the other directors in calling and chairing the meetings of the Board of Directors and in casting the deciding vote in case of an equality of votes, as well as chairing the shareholders' meetings. Regarding other directorship positions held by each director in other companies, the Company will disclose such information in its annual registration statement (form 56-1) and annual report to shareholders every year.

### **2. Roles, Duties and Responsibilities of the Board of Directors**

Board of Directors' responsibilities are to consider and give approval on significant issues related to the Company's operations, including corporate policies and business plans, risks, and budgets, and the supervision of the management team to adhere to the approved policies quantitatively and qualitatively.

#### ***Corporate Governance Policy***

The Board of Directors has been engrossed to run business with efficiency, good governance, excellent management, with social responsibilities, transparent, and accountability. Considering the absolute benefit of all shareholders and stakeholders, the Company had a resolution by assigning Audit and CG Committee. The Board of Directors had a resolution by assigning Audit and CG Committee and the executives to prepare in writing the Company's corporate governance policy in accordance with SET's listed company guidelines 2012 in order to dictate the Board of Directors, the executives, all staff the right direction and issued a policy to evaluate the policy as well .The CG

policy should be regularly reviewed every year so as to ensure that the policy is up-to-date in accordance with the changes in circumstances.

In 2014, the Company has issued a written code of CG's conduct in accordance with the SET's Principles of Good Corporate Governance for Listed, 2012 which developed from the global OECD (OECD Principles of Corporate Governance) and also followed the CGR (Corporate Governance Report of Thai Listed Companies) of the IOD that improved in accordance with ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard)

Hence, the Company provided CG information on both Intranet and the website ([www.sorkon.co.th](http://www.sorkon.co.th)) under corporate governance section.

### ***Business Ethics***

The Board of Directors has been engrossed to run business with efficiency, good governance, excellent management, with social responsibilities, transparent, and accountability. Considering the absolute benefit of all shareholders and stakeholders, the Company had a resolution by assigning Audit and CG Committee and management to prepare in writing the Company's code of conduct for the management and employees to use as a guideline in conducting a business correctly and fairly to all stakeholders and repeatedly review the code every year to suit the company's situation.

### ***Conflict of Interest***

The Board of Directors has a clear policy in dealing with potential conflict of interest. The principle is that any decision regarding business operation must maximize the Company's benefit. Any conflict of interest should be avoided. Any persons who relate or connect to the transactions under consideration must inform the Company of such relation or connection and shall not involve in considering and cannot vote/approve such transactions.

Audit and CG Committee has to report the Board of Directors all connected transactions and transactions with conflict of interest incurred in the Company, and also provides the board with careful consideration of their appropriateness and compliance with the regulations of the Stock of Exchange of Thailand. Details of these transactions will also be disclosed in the annual registration statement (form 56-1) and annual report.

### ***Internal Control***

(See details in section 10 – Internal Control and Risk Management)

### ***Risk Management***

The Board of Directors pays the most attention to the overall risk management to ensure that the Company operating business with acceptable risks level. The Executives and operation staffs jointly evaluate the risks, obstacles and uncertainties that may negatively affect the Company's performances.

Board of Directors appointed risk management subcommittee on 10<sup>th</sup> November 2014, to build a policy for the overall risk management and evaluate these performances to be in accordance with policy created.

### ***Report of the Board of Directors***

The Board of Director is responsible for the consolidated financial statements of the Company and its subsidiaries. Such financial statements are prepared in conformity with generally accepted accounting principles and have been audited by the Company's auditor. Audit Committee is responsible for reviewing all financial statements. Essential and accurate information, both financial and non-financial, is disclosed on a regular basis.

## **3. Board of Directors' Meetings**

Normal meetings must be held at least once every quarter. The meeting schedules are set in advance for the whole year and additional special meetings may be held as deem necessary. The agenda is set clearly and the documents will be sent in advance to allow the directors to have sufficient time to study the information prior to the meeting, except in cases of emergency.

The Chairman and the Chief Executive Officer jointly consider agendas for the meeting and also allows directors to propose additional agendas to be included in a meeting. The Chairman of the Board, acting as the Chairman of the Meeting, allows directors to express their opinions freely in considering any agendas. Executives, occasionally, may be invited to attend the meeting to clarify information to the Board, as well as executives will directly receive advices or policy from directors to improve their efficiencies. To pass the resolution is required majority votes, one director eligible for one vote. Any directors who have conflict of

interest in any issue will not consider and will not exercise their voting rights on that issue. In the case of an equal number of votes, the Chairman of the Meeting shall cast the deciding vote.

The Company Secretary will attend and record the Board's meeting minute. The meeting minute is presented to the Chairman of the Meeting to consider and certify prior to present it to the Board for approval at the following meeting. Documents related to the meeting will be kept for references.

#### **4. Remuneration**

The directors and executives' remunerations are reasonably and appropriately fixed based on the Company's operating results and it is comparable to those of companies within the same industry, as well as directors' duties and responsibilities are taken into consideration. The directors' remuneration is in the form of annual compensation and meeting allowances while the remuneration of the executives is in the form of salary and bonus.

#### **5. Development of Directors and Executives**

The Board of Directors has a policy to encourage directors, executives, the Company Secretary and all other relevant persons to attend various courses provided by the Thai Institute of Directors (IOD), the SET, and other organizations in order to make use of knowledge and experiences gaining from these courses to improve their performances and efficiencies. All relevant information in relation to duties and responsibilities of directors will be provided to newly-appointed director, as well as he or she will be briefed for the Company's business overview.

The Board of Directors attended various courses provided by the Thai Institute of Directors (IOD) as follow :

Name	Position	Course
1. Mr. Somchai Sakulsurarat	Chairman of the Board of Directors (Independent Director)	DIRECTOR CERTIFICATION PROGRAM (DCP)
2. Mr. Charoen Rujirasopon	Chairman of the Board of Executive Directors and Chief Executive Officer	DIRECTOR ACCREDITATION PROGRAM (DAP)

Name	Position	Course
3. Mrs. Niramon Rujirasopon	Director	-DIRECTOR ACCREDITATION PROGRAM (DAP), -DIRECTOR CERTIFICATION PROGRAM (DCP)
4. Mr. Jaraspon Rujirasopon	Director	-DIRECTOR ACCREDITATION PROGRAM (DAP) Alumni 105/ 2013 -CERTIFICATE OF FINANCIAL STATEMENT FOR DIRECTORS (FSD) Alumni 17/2012, THAI INSTITUTE OF DIRECTORS (IOD)
5. Mr. Thanakrit Rujirasopon	Director	DIRECTOR ACCREDITATION PROGRAM (DAP)
6. Miss Panchama Vipamas	Director	-
7. Mr. Charoenphan Phantumongkol	Independent Director	DIRECTOR ACCREDITATION PROGRAM (DAP)
8. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee	DIRECTOR ACCREDITATION PROGRAM (DAP)



Name	Position	Course
9. Mr. Worapon Lopansri	Chairman of Audit and Corporate Governance Committee and Independent Director	-DIRECTOR CERTIFICATION PROGRAM 167/2012 -AUDIT COMMITTEE PROGRAM 45-2013
10. Mr. Chusak Vijakhana	Independent Director and Audit and Corporate Governance Committee	DIRECTOR ACCREDITATION PROGRAM (DAP)

## 8.2 Committees

### Audit and Corporate Governance Committee

The Board of Directors has appointed an Audit and Corporate Governance Committee. As at December 31<sup>st</sup>, 2014, the Audit and Corporate Governance Committee comprised of 3 members:

- |                           |  |
|---------------------------|--|
| 1. Mr. Worapon Lopansri   | Chairman of the Audit and Corporate Governance Committee |
| 2. Mr. Prasarn Marukpitak | Member of the Audit and Corporate Governance Committee   |
| 3. Mr. Chusak Vichakhana  | Member of the Audit and Corporate Governance Committee   |
- (Mr. Sompark Kiratipongwut as secretary of the Audit and Corporate Governance Committee)

Mr. Worapon Lopansri, Chairman of the Audit and Corporate Governance Committee, has 28 years experiences in Accounting, Finance, and Internal Audit. And he has reviewed the Company's financial statements since 2014.

### Term of the Audit and Corporate Governance Committee

The term of office of the Audit and Corporate Governance Committee is 2 years. A retiring committee member is eligible for re-appointment.

**The Audit and Corporate Governance Committee has duties and responsibilities as follows:**

- 1) Review the Company's financial reporting process to ensure its accuracy and adequacy.
- 2) Review the corporate governance system, the risk management system, internal control system, and audit system to ensure that the Company provides appropriate, adequate, and efficient internal control system. Giving opinion about nomination, appointing, depriving, and evaluating the head of internal audit or other responsible for internal audit.
- 3) Review the Company's compliance with the SEC's and SET's rules and regulations and other relevant laws.
- 4) Nominate the Company's external auditor and its remuneration to the Board of Directors for further shareholders' approval and attend the auditor meeting at least one meeting/year without management team.
- 5) Consider and put recommendation on any connected transactions or transactions with potential conflict of interest related to rules and regulations of SET and other relevant laws in order to prove that the connected transactions are truly beneficial to the Company.
- 6) Prepare Audit and Corporate Governance Committee's report to be disclosed in the Company's annual report signed by Chairman of the Audit and Corporate Governance Committee with the following information:
  - a) Opinion on accuracy, creditability, and completeness of the Company's financial report.
  - b) Opinion on adequacy of the Company's internal control system.
  - c) Opinion on compliance with SEC's and SET's rules and regulations and other relevant laws.
  - d) Opinion on appropriateness of the external auditor.
  - e) Opinion on transactions with potential conflicts of interests.
  - f) The number of the Audit and Corporate Governance Committee meetings, and the number of attendance made by each member.
  - g) Opinion or overall comment that the Audit and Corporate Governance Committee found while followed the charter.
  - h) Other activities/assignments within the scope of its duties and responsibilities assigned by the Board of Directors.
- 7) Setting suitable guidelines and policies by considering what would be the appropriate number, structure and composition of members, and outlining necessary directors' qualifications, and proposing these ideas for approval by the Board of Directors and/or Shareholders Meeting as appropriate.

- 8) Taking care and advising Board of Directors and the Executives about their roles and responsibilities toward CG in order to a satisfied practice.
- 9) Always consider and review the code of ethics in order to strengthen the good corporate governance policy to match the global standard and the laws, regulations, and company's rules.
- 10) Taking responsibility to follow up the practice on CG in order to report to the Board of Directors, shareholders, and general investors.
- 11) Suggesting direction and practices of CG concerning code of ethics to the Board, the Executives, and employees.
- 12) Appointing the member of committee to support the CG as appropriate
- 13) Performing such other functions as assigned by the Board from the approval of Audit and CG committee.
- 14) Reporting the findings or suspicious transactions or any of the following acts which may materially affect the Company's financial condition and operating results, to the Board of Directors for rectification within the period of time that the Audit and CG Committee thinks fit. If the Company's Board of Directors or the Executives fail to make a rectification within the period of time under the first paragraph, any committee member may report on the transaction or doubtful act to the Office of the Securities and Exchange Commission or the Stock Exchange of Thailand.

### **Nomination and Remuneration Committee**

The Board of Directors has appointed an Nomination and Remuneration Committee since February 24, 2014. As at December 31, 2014, the Nomination and Remuneration Committee comprised of 3 members:

1) Mr. Charoenphan Phantumongkol	Chairman of the Nomination and Remuneration Committee and Independent Director
2) Mr. Chusak Vijakkhana	Member of the Nomination and Remuneration Committee and Independent Director
3) Mr. Charoen Rujirasopon	Member of the Nomination and Remuneration Committee and Independent Director

### **Term of the Nomination and Remuneration Committee**

Chairman of the Nomination and Remuneration Committee and its member are no more than 2 years from

the election or board of directors' term. A retiring committee member is eligible for re-appointment.

### **Charter of the Nomination and Remuneration Committee**

The Board of Directors approved of the Charter of the Nomination and Remuneration Committee by assigning these roles and responsibilities as follows:

#### **Nomination**

- 1) Consider the appropriateness of Board of Directors structure and the Company's subcommittee
- 2) Setting guidelines, policies, and methods in nominating Board of Directors and proposing these ideas for approval by the Board of Directors as appropriate.
- 3) Searching, selecting, and proposing appropriate candidates to assume the position of the board of directors, the Company's subcommittee, and the Executives to the consideration of the Company's Board of Directors.
- 4) Executing other tasks related to nominations as assigned by the Board of Directors.

#### **Remuneration**

- 1) Preparing guidelines and policies in determining remuneration to the Board of Directors, other sub-committees, and the executives' to match their duties, responsibilities, and the Company's performance.
- 2) Reviewing the Company's remuneration in comparisons against similar businesses.
- 3) Determining guidelines for performance evaluation of the Board of Directors, Other Subcommittee, and the Executives and report the results of evaluations in the Company's annual report.
- 4) Executing other tasks related to nominations as assigned by the Board of Directors.

### **Risk Management Subcommittee**

The Board of Directors has appointed an Risk Management Subcommittee since November 10, 2014. As at December 31, 2014, the Nomination and Remuneration Committee comprised of 5 members:

1) Mr. Charoen Rujirasopon	Chairman of the Risk Management Subcommittee
2) Mrs. Niramon Rujirasopon	Member of the Risk Management Subcommittee
3) Miss Panchama Vipamas	Member of the Risk Management Subcommittee
4) Mr. Jarunpoj Rujirasopon	Member of the Risk Management Subcommittee
5) Mr. Anucha Chawakijkosol	Member of the Risk Management Subcommittee

### **8.3 Selection of Directors and Executives**

#### **1) Independent Director**

##### **Qualifications:**

1. Holding not exceeding 1 per cent of the shares with voting rights of the Company (including shares held by related persons of such independent director).
2. Never been an executive director, or a management, or an employee, or a consultant of the Company or its subsidiaries, its affiliates, its associated companies, or its principal shareholder during the past two years before appointed as an independent director.
3. Never having any business relationships, directly or indirectly, with the Company (including its subsidiaries, its affiliates, its associated companies, and its principal shareholder) that may impede his independency. And also never been a principal shareholder or a controlling person of any entities having a business relationship with the Company or its subsidiaries, its affiliates, its associated companies, or its principal shareholder, except those relationships ended not less than two years prior to the date of appointment as an independent director.
4. Not being a relative or not a related person to the executives or major shareholders of the Company.
5. Not being a director appointed as a representative of the directors or of major shareholders of the Company.
6. Be able to render independent opinions with regard to the Company's business operations without any interference by the executives or major shareholders and their related parties.

The selected candidates will be nominated for consideration at the shareholders' meeting for appointment as independent directors. If any independent director vacates his office before the end of his term, the Board of Directors may appoint a new independent director who possesses the qualifications as specified above as a replacement. The replacement independent director shall hold office only for the remainder of the term of the independent director whom he or she replaces.

Independent Directors comprised 5 directors as follow:

- |                                   |   |
|-----------------------------------|---|
| 1. Mr. Somchai Sakulsurarat       | Chairman of the Board of Directors and Independent Director                       |
| 2. Mr. Worapon Lopansri           | Chairman of the Audit and Corporate Governance Committee and Independent Director |
| 3. Mr. Prasarn Marukpitak         | Audit and Corporate Governance Committee Member and Independent Director          |
| 4. Mr. Chusak Vichakhana          | Audit and Corporate Governance Committee Member and Independent Director          |
| 5. Mr. Charoenphan Phanthumongkol | Chairman of the Nomination and Remuneration Committee and Independent Director    |

## **2) Board of Directors and Executives**

### **2.1 Selection of the Board of Directors**

The Board of Directors will select candidates to be appointed as Directors proposed to the shareholders' meeting to elect the Directors according to the following rules and procedures:

- 1) Each shareholder shall be entitled to one share one vote.
- 2) Each shareholder must exercise all his or her votes under (1) above to elect one or several directors but cannot allocate the votes among candidates.
- 3) Candidates who receive the largest number of votes, in descending order, shall be elected to the Board according to the number of directors to be elected on that occasion. In the event of candidates receiving equal votes, the Chairman of the Meeting shall cast the deciding vote.

At every annual general meeting of shareholders, one-third of the directors shall retire. If one-third is not a round number, the number closest thereto shall be the applicable number. The directors serving the longest shall resign. The directors who vacate office are eligible for re-election by the shareholders.

When a position of director becomes vacant for any reason other than the end of the office term, the Board of Directors shall, on the next board meeting, appoint a qualified person with the characteristics prescribed by the relevant laws to be a new director, except if such remaining office term is less than 2 months. The resolution of the Board of Directors must consist of votes of not less than three-fourths of the number of remaining directors. The replacement director shall hold office only for the remainder of the office term of the director whom he replaces.

## **2.2 Selection of Executives**

Selections are made in accordance with the Company's recruitment procedure and must be approved by Chief Executive Officer.

## **8.4 Subsidiaries and Affiliates**

The Company has established the following rules for all subsidiaries to strictly follow:

- 1) Subsidiaries will follow the Company's policy in dealing with a connected transaction, or acquisition and disposition of assets properly, and will use the same information disclosure policy as the Company's.
- 2) Company's accounting standard and all accounting policies will be applied to all subsidiaries, and subsidiaries must keep all documents and accounting reports for the Company to review and to prepare a consolidated financial statements on a timely manner.
- 3) To have the same human resources policy in order to promote the unity of the group of companies.

Furthermore, a monthly meeting has been set for management of the Company and subsidiaries to discuss operating results and to lay down the business plan.

## **8.5 Inside Information**

The Board set the procedure for inside information as follows:

- The Company has advised the directors and executives of their duty to report on their shareholdings in the Company.
- When directors or executives acquire or divest the Company's securities, they must report their securities holding (and the holdings of their spouses and minor children of the securities of the Company) within 3 working days after the transaction date to the SEC.
- Directors and executives must keep all inside information confidentially until it is reported to the SET.

## **8.6 Audit Fees and Remuneration**

### **Audit Fee**

In 2014, the audit fees charged by the Company's auditor, EY Office Limited, are as follows:

- Baht 1.17 million audit fee incurred by the Company.
- Baht 1.43 million incurred by 3 subsidiaries.

### **Non-Audit Fees**

In 2014, the Company and its subsidiaries had no other fees reimbursed to EY Office Limited, and had no fee in relation to incomplete work to be paid in the future.



## 9. Corporate Social Responsibilities (“CSR”)

The Company and its subsidiaries adhere to the corporate sustainability emphasizing on the Good Corporate Governance and Corporate Social Responsibilities. The Company involved in various activities with involvement of its employees, trade partners, communities, which are summarized as follows:

### The Environment

The Company and its subsidiaries conduct business considering the importance of environment and ready to improve work environment to consume or to utilize natural resources more efficient. The Company has undertaken various actions, such as:

#### 1) Establishment of Energy Conservation Committee

The Company well recognizes that the energy conservation to reduce the greenhouse effect is a duty of directors, management, and employees; therefore the Company set the Energy Conservation Committee to lay down the energy conservation policy for all employees to follow.

- 1.1) Energy Conservation Policy is part of the corporate policy to ensure that the Company has a proper energy management system which in accordance with any relevant laws and regulations.
  - 1.2) To apply the best practice for energy usage in Food Industry into the Company’s production process to ensure that the energy is the most efficiently consumed.
  - 1.3) To establish specific, measurable, and realistic energy conservation plan and to communicate to all level of employees to operate their works accordingly.
  - 1.4) It is responsibility of management and all level of employees to adhere to the established plan and to monitor, control, and report to the committee.
  - 1.5) Budget should be adequately allocated to support the implementation of the energy conservation plan through various activities and the involvement of all employees.
  - 1.6) Management together with the committee will annually revise and improve the energy conservation plan.
- 2) Organize activities which encourage the involvement of all employees to improve their work process in order to reduce the usage of all resources through 5s, Kaizen, TQM, and Cost Reduction.
  - 3) Continuously provide all employees knowledge and training on quality control such as GMP, HCCP, etc. and encourage training on environment conservation to use energy wisely and avoid loss.

- 4) The Company assigned the employee to participate in the seminar of water management, waste management, promoting health to prevent illness, preventing and solving drug issue. Furthermore, there is seminar about improving work environment in order to create a better and safer work environment (see detail in 7.5: Human Resource). The Company also contracts an authorized operator (approved by Municipal) for the production waste disposal. The waste water is treated up to standard, controlled its quality before drained.

### **Education**

- 1) The Company supported the “Dee Kan Na Project” Faculty of Commerce and Accountancy, Chulalongkorn University to encourage teenagers to perform good deed and become role model for society.
- 2) On 16<sup>th</sup> August, 2014, the Company provided S.Khonkhaen products to the class of Alumni Program of Democratic Politics and Governance for High Level Executives, College of Politics and Governance, King Prachathipok’s Institute
- 3) The Company donated a fund for education and snack to Bansubmanao School, the office of Sakhaew primary educational service area 1 to support educational oppressed children.
- 4) The Company donated money for school supplies and sport equipment to educational institutes as follow:
  - 4.1) on 10<sup>th</sup> July, 2014 to Chalerm Prakiet 48 Pansa school, Lamphun
  - 4.2) on 20<sup>th</sup> August, 2014 to Banwangrongyaisamakkee School, Sikhiu District, Nakhon Ratchasima
- 5) The Company was sponsoring its snack products to seminar “Increase Value Added to organization through HROD strategy” on Thursday 29<sup>th</sup> May, 2014 at His Majesty the King's 6th Cycle Birthday Anniversary Auditorium Hall, National Institute of Development Administration.

### **Volunteer Spirit**

- 1) The Company was sponsoring its snack products to Doi Lung Tham temple, Lamphoon to support the remotely hill tribe children as one of the social project of Doi Lung Tham temple
- 2) The Company encouraged Thai youth to exercise and play sport though sponsoring Khonkhaen female volleyball team “Idea Khonkaen Team” in Female Volleyball Thailand League 2014-2015 throughout the tournament.

- 3) The Company gave snack products to “Food Service Division”, the National Council on Social Welfare of Thailand to support the catering division in Mother’s Day Ceremony in 2014. Believing that gratefulness is important Thai’s social value.
- 4) The Company encouraged Thai people to be harmonized (Thai Social Value) in the following activities:
  - 4.1) Giving snack products as a price to 13<sup>th</sup> Charity Bowling Championship at SF Strike Bowl, the Mall Ramkhamhaeng on 20<sup>th</sup> July, 2014.
  - 4.2) Delivering “Chilli Paste” products for “Return to Happiness Festival” at Klong Sam Wa district on 21<sup>st</sup> July, 2014.
- 5) Donating foods and household products to Special Division, Santisook specific unit, Southern border of Thailand on 21<sup>st</sup> July, 2014 in order to encourage, support, and requite the soldier’s sacrifice.
- 6) The Company cares deeply about Thai youth. To encourage children to be a good role model, the Company was sponsoring snacks and presents on the children day festival 2014 at the following places:
  - 6.1) Division Center for sledding Department of Mechanical Engineering State Railway of Thailand Nakhon Si Thammarat
  - 6.2) Somboonsartpatthana School. Sai Noi, Nonthaburi
  - 6.3) Prompikunthong School, Bangplee, Samut Prakarn
  - 6.4) Dang Pao School, Lad Kra Bang district offices, Bangkok
  - 6.5) Khlong Palat Priang School, Bangplee, Samut Prakarn
  - 6.6) Wat Khing Khaew School, Bangplee, Samut Prakarn
  - 6.7) Wat Ko Tha Ram School, Bang Bo, Samut Prakarn
  - 6.8) Tawaklongtrong School, Bangplee, Samut Prakarn
  - 6.9) Nongngoo housartprasart School, Bangplee, Samut Prakarn
  - 6.10) Klongladkrabang School, Bangplee, Samut Prakarn
  - 6.11) Klongsamlong School, Muang, Samut Prakarn
  - 6.12) Taladpakklongjao School, Bang Bo, Samut Prakarn
  - 6.13) Wat In School Bang Yai, Nonthaburi
  - 6.14) The Secretariat of the House of the Representative, Bangkok

### **Anti - Corruption**

The Board of Directors has a resolution to declare the Company’s intent to participate in the Private Sector Collective Action Against Corruption (“CAC”) with the Thai Institute of Directors (“IOD”) as a project secretary. The Board assigned management to sign the declaration of intent to join the CAC and

make an announcement this declaration to all employees.

## **10. Internal Control and Risks Management**

### **10.1 Board of Directors' Opinion regarding the Company's Internal Control System**

The Board of Directors has reviewed and assessed the Company's internal control system via directly interviewing with management and considered the Audit and Corporate Governance Committee's report to reach the conclusion. From the assessment of the Company's internal control system in 5 areas, namely Internal Control, Risks Management, Operation Control, Information Technology and Communication, and Monitoring System, the Board had opinion that the Company's internal control system is adequate and appropriate. The Company provides adequate human resources to efficiently perform all internal control functions. Moreover, the Company also established an adequate internal control system to control and monitor its subsidiaries' operations to prevent directors or managements to exploit subsidiaries' assets or to enter into any connected transactions or transactions with potential conflict of interest. The board also has an opinion that the Company adequately provides other areas of internal control as well.

### **10.2 Committee's Opinion regarding the Company's Internal Control System**

The Company fully recognizes the importance of having an appropriate and adequate internal control system in order to well manage risks to prevent or to minimize the losses that might incur to the Company or its stakeholders. The Audit Committee has reviewed the Company's internal control system with internal auditors, and the Audit Committee was of the same opinion as the Board of Directors.

The Company has an adequate and appropriate internal control system to control and monitor the business operations to achieve its goals and objectives and also to be in accordance with laws and regulations as well as to prevent the potential losses from the assets as a result of frauds and damages. The Company also has financial reporting process to ensure its accuracy and creditability of the financial statements.

In 2014, the Audit and Corporate Governance Committee held 4 meetings and all members attended all 4 meetings.

### 10.3 Head of Internal Audit

The Audit and Corporate Governance Committee's meeting number 2/2557 held on May 8<sup>th</sup>, 2014 had a resolution to appoint Mr. Sompark Kiratipongwut to be a Head of Internal Audit of the Company. Mr. Sompark has 20 years of experience in internal audit field and has full understanding on the Company's business activities. The Audit and Corporate Governance Committee had opinion that Mr. Sompark is qualified to perform as the Head of Internal Audit.

Hence in nominating, appointing, and depriving the Head of Internal Audit must gain approval from the Audit and Corporate Governance Committee.

### 11. Related Transactions

The related transactions between the "Company and its subsidiaries" and "directors and major shareholders" in 2014 as follows:

Related Persons	Relationship	Type of Transactions	Value of Related Transaction (Year 2014)
1. Mr. Charoen Rujirasopon	Major shareholder and management.	One subsidiary leased land with 368 rais 72 square wah located at 44 Moo 2, Tambol Payayen, Amphoe Pakchong, Nakhon Ratchasima Province.	Baht 441,816

#### Necessity and Suitability of the Related Transaction

The above related transaction is a normal business transaction and supporting normal business of the Company and its subsidiary with general trading conditions.

#### Related Transaction Policy

The Company set a clear policy in dealing with the related transaction with outsiders or any related parties with potential conflict of interest. The principle is that any decisions are based on the maximization of Company's benefits. Any related transactions must be reviewed by the Audit and Corporate Governance

Committee to ensure that these transactions do not have any conflict of interest. The Committee may appoint an appraiser(s) or financial advisor(s) to give their opinions on the fair value of the transactions for the comparison basis and then propose to the Board of Directors for its further consideration.

## 12. Summary of Financial Information of the Company

### CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position	As at					
	31-DEC-14		31-DEC-13		31-DEC-12 (Adjusted)	
	THB in Million	%	THB in Million	%	THB in Million	%
Cash and cash equivalent	26.95	1.7	27.14	2.1	30.20	2.4
Trade and other receivables	364.39	22.7	297.27	22.7	295.64	23.5
Inventories	182.76	11.4	167.52	12.8	160.55	12.8
Other current assets	12.13	0.8	10.88	0.8	9.95	0.8
<b>Total current assets</b>	<b>586.23</b>	<b>36.4</b>	<b>502.80</b>	<b>38.4</b>	<b>496.34</b>	<b>39.5</b>
Breeding stocks	14.76	0.9	7.65	0.6	7.99	0.6
Property, plant and equipment	641.67	39.9	435.73	33.3	388.63	30.9
Investment properties	331.84	20.6	332.09	25.4	332.09	26.4
Other non-current assets	34.06	2.1	29.81	2.3	32.02	2.5
<b>Total assets</b>	<b>1,608.56</b>	<b>100.0</b>	<b>1,308.09</b>	<b>100.0</b>	<b>1,257.07</b>	<b>100.0</b>
Bank overdraft and short-term loans	427.92	26.6	325.33	24.9	316.39	25.2
Trade and other payables	248.34	15.4	182.72	14.0	181.97	14.5
Current portion of long-term loans	31.71	2.0	34.22	2.6	33.51	2.7
Other current liabilities	27.77	1.7	24.39	1.9	34.35	2.7
<b>Total current liabilities</b>	<b>735.74</b>	<b>45.7</b>	<b>566.65</b>	<b>43.3</b>	<b>566.22</b>	<b>45.0</b>
Long-term liabilities	170.85	10.6	93.15	7.1	78.25	6.2
Provision for long-term employee benefits	37.30	2.3	36.07	2.8	32.90	2.6
<b>Total liabilities</b>	<b>943.89</b>	<b>58.7</b>	<b>695.87</b>	<b>53.2</b>	<b>677.37</b>	<b>53.9</b>
Equity to owners of the Company	663.21	41.2	610.95	46.7	578.33	46.0

Statement of Financial Position	As at					
	31-DEC-14		31-DEC-13		31-DEC-12 (Adjusted)	
	THB in Million	%	THB in Million	%	THB in Million	%
Non-controlling interests of the subsidiaries	1.46	0.1	1.26	0.1	1.36	0.1
<b>Total shareholder's equity</b>	<b>664.67</b>	<b>41.3</b>	<b>612.22</b>	<b>46.8</b>	<b>579.70</b>	<b>46.1</b>
<b>Total liabilities and shareholder's equity</b>	<b>1,608.56</b>	<b>100.0</b>	<b>1,308.09</b>	<b>100.0</b>	<b>1,257.07</b>	<b>100.0</b>

Income Statement	Year Ended					
	2014		2013		2012 (Adjusted)	
	THB in Million	%	THB in Million	%	THB in Million	%
<b>Revenues from sales</b>	<b>2,217.48</b>	<b>99.3</b>	<b>1,992.96</b>	<b>98.7</b>	<b>1,822.93</b>	<b>98.7</b>
Other income	15.47	0.7	26.27	1.3	23.23	1.3
<b>Total revenues</b>	<b>2,232.95</b>	<b>100.0</b>	<b>2,019.23</b>	<b>100.0</b>	<b>1,846.16</b>	<b>100.0</b>
Cost of Sale	1,520.01	68.1	1,431.34	70.9	1,280.82	69.4
Selling expenses	279.37	12.5	195.70	9.7	185.14	10.0
Administrative expenses	278.65	12.5	256.74	12.7	225.33	12.2
Other expenses	-	-	-	-	-	-
<b>Operating incomes</b>	<b>154.92</b>	<b>6.9</b>	<b>135.45</b>	<b>6.7</b>	<b>154.87</b>	<b>7.1</b>
<b>Profit before finance cost and income tax</b>	<b>154.92</b>	<b>6.9</b>	<b>135.45</b>	<b>6.7</b>	<b>154.87</b>	<b>8.4</b>
Finance cost	16.29	0.7	19.26	1.0	25.32	1.4
Income tax expenses	27.21	1.2	24.40	1.2	33.96	1.8
<b>Profit after tax</b>	<b>111.42</b>	<b>5.0</b>	<b>91.79</b>	<b>4.5</b>	<b>95.58</b>	<b>5.2</b>
Profit attributable to Non-controlling interests of the subsidiaries	0.28	0.0	0.19	0.0	0.42	0.0
Profit attributable to Equity holders of the Company	111.14	5.0	91.60	4.5	95.17	5.2

Cash Flow Statement	Year Ended		
	2014	2013	2012 (Adjusted)
	THB in Million	THB in Million	THB in Million
Profit from operating activities before changes in operating assets and liabilities	197.28	190.25	198.80
<b>Net cash flows from operating activities</b>	<b>136.59</b>	<b>139.21</b>	<b>141.80</b>
<b>Net cash flows from investing activities</b>	<b>(225.20)</b>	<b>(82.33)</b>	<b>(13.79)</b>
<b>Net cash flows from financing activities</b>	<b>88.35</b>	<b>(59.90)</b>	<b>(108.01)</b>
Net increasing in cash and cash equivalents	(0.26)	(3.02)	20.00
Cash and cash equivalents at the beginning of the period	27.14	30.20	10.20
Cash and cash equivalents at the ending of the period	26.94	27.14	30.20

Financial Ratio	Year Ended		
	2014	2013	2012 (Adjusted)
<b>Liquidity ration</b>			
Current ratio (Times)	0.8	0.9	0.9
Quick ratio (Times)	0.5	0.6	0.6
Cash flow ration (Times)	0.3	0.3	0.4
Accounts receivable turnover (Times)	6.9	6.9	6.5
Average collection period (Days)	52.5	51.9	55.0
Inventory turnover (Times)	35.1	30.3	26.7
Average day's sales in inventory (Days)	10.2	11.9	13.5
Accounts payable turnover (Times)	12.1	12.4	10.5
Average payment period (Days)	29.7	29.0	34.4
Cash Cycle (Days)	33.0	34.7	34.1
<b>Profitability ratio</b>			
Gross profit margin (%)	31.45%	28.18%	29.74%
Operating profit margin (%)	6.99%	6.80%	8.50%
Net profit margin (%)	4.99%	4.55%	5.15%
Return to equity (%)	17.45%	15.40%	16.42%



Financial Ratio	Year Ended		
	2014	2013	2012 (Adjusted)
<b>Efficiency ratio</b>			
Return on assets (%)	7.64%	7.16%	7.57%
Return on fixed assets (%)	17.74%	17.78%	19.01%
Total asset turnover (Times)	1.5	1.6	1.5
<b>Financial policy ratio</b>			
Debt to equity ratio (Times)	1.4	1.1	1.2
Interest coverage ratio (Times)	13.5	11.7	9.6
Dividend payout ratio (%)	52.98%	64.53%	73.39%

## 13. Management Discussion and Analysis (MD&A)

### (1) Overall Performances and Major Developments

**The overall Thai economic at the beginning of 2014** still has the impact of sluggish Thai economy as a result of political uncertainties in 2013. It was more relax during the mid year. Politic situation seems more stable and the economic boost from the government at the end of the year in supporting consumption and private sector investment has paved the overall economic situation to 2.9% increased half year later.

**While Export and Tourism section** in Thailand in 2014 still obtains the negativity impact from global economics' fragility, especially in Europe. Business partners in US, Japan, and Republic of China have low-expansion growth which affects Thai's export industry to 1.4 % in the third quarter.

**The overall performance in 2014.** This year is another successful year of business operation as a result of sharp strategies such as investment in QSR, development in R&D new products, and penetration in the new channels. These factors contributed to the highest record of revenue in the Company's history with the revenues growth of 2,230 million baht or 10.6% from the year 2013. The net profit is 111.4 million baht, increase 21.4% from last year despite the sluggish Thai economic as a result of political uncertainties, slow down domestic consumption, and downward in export from the global economic crisis.

**The Total Net Sales in 2014** is comprised of sales revenue and other revenue to 2,217.5 million baht and 15.5 million baht respectively. Sales revenue in 2014 is increase in number from 2013 approximately around 224.4 million baht or 11.3% owing to the growth in all categories sales except RTE & RTH which drops to 8.4% compared to 2013 because of the new policy of OEM on “Zaap Express” and “Yunnan”. The most successful growth category is QSR which grows to 99.7%. Snack category’s growth is 32.3% while swine farm is 18% in growth. The traditional Thai food growth is 13.7% more than last year which only has 6% growth. Processed seafood’s growth is 5.4%.

Unit : Mio.Baht			
Net Sales Breakdown	2014	2013	YoY%
Quick Service Restaurant (QSR)	62.8	31.4	31.4 99.7%
Snack	98.2	74.2	24.0 32.3%
Swine Farm	191.7	162.5	29.2 18.0%
Traditional Thai Food	956.3	841.2	115.1 13.7%
Seafood	756.2	717.5	38.7 5.4%
Frozen	152.3	166.2	(13.9) -8.4%
<b>Total Net Sales</b>	<b>2,217.5</b>	<b>1,993.0</b>	<b>224.5 11.3%</b>

The Company has the overall gross profit margin increased from 28.2% in 2013 to 31.5% in 2014 because of the policy to manufacture-sell products, and distribution channels that have high profit gross margin. Combing those factors with efficiently risk management in price volatility made the rise in gross profit margin over last year. The gross profit margin in Traditional foods dropped 1.1% from increase in pork price in 2014 while 4.7% increase in processed seafood. Other categories slightly increases to 9.2% (See details in 2. Operating Results)

Unit : Mio.Baht			
Gross Profit Breakdown	2014	2013	YoY%
Swine Farm	48.4	12.0	36.4 304.4%
Gross Profit Margin%	25.2%	7.4%	17.9%
Quick Service Restaurant (QSR)	32.1	14.6	17.5 119.1%
Gross Profit Margin%	51.1%	46.5%	4.6%
Snack	26.8	16.5	10.3 62.5%
Gross Profit Margin%	27.3%	22.2%	5.1%
Seafood	211.8	167.5	44.3 26.5%
Gross Profit Margin%	28.0%	23.3%	4.7%
Traditional Thai Food	351.9	319.2	32.7 10.2%
Gross Profit Margin%	36.8%	37.9%	-1.1%
Frozen	26.5	31.8	(5.3) -16.6%
Gross Profit Margin%	17.4%	19.1%	-1.7%
<b>Total Gross Profit</b>	<b>697.5</b>	<b>561.6</b>	<b>135.9 24.2%</b>
Gross Profit Margin%	31.5%	28.2%	3.3%

## (2) 2014 Operating Results

### 2.1 Revenue Breakdown

	2014		2013		2012	
	Baht Mil.	%	Baht Mil.	%	Baht Mil.	%
<b>1. Traditional Thai Food</b>						
- Domestic	890.6	39.9%	808.8	39.3%	764.3	41.4%
- Export	65.7	2.9%	32.4	1.5%	27.1	1.5%
<b>Total</b>	<b>956.3</b>	<b>42.8%</b>	<b>841.2</b>	<b>41.7%</b>	<b>791.4</b>	<b>42.9%</b>
<b>2. Processed Seafood (Fish Balls)</b>						
- Domestic	678.7	30.4%	652.2	32.3%	551	29.8%
- Export	77.6	3.5%	65.3	3.2%	67.4	3.6%
<b>Total</b>	<b>756.2</b>	<b>33.9%</b>	<b>717.5</b>	<b>35.5%</b>	<b>618.4</b>	<b>33.5%</b>
<b>3. Meat-Base-Snack</b>						
- Domestic	94.0	4.2%	68.8	3.4%	104.2	5.6%
- Export	4.2	0.2%	5.4	0.3%	10.0	0.5%
<b>Total</b>	<b>98.2</b>	<b>4.4%</b>	<b>74.2</b>	<b>3.7%</b>	<b>114.2</b>	<b>6.1%</b>
<b>4. RTE &amp; RTH</b>						
- Domestic	152.0	6.8%	165.9	8.2%	123.1	6.7%
- Export	0.3	0.0%	0.3	0.0%	2.9	0.2%
<b>Total</b>	<b>152.3</b>	<b>6.8%</b>	<b>166.2</b>	<b>8.2%</b>	<b>126.1</b>	<b>6.9%</b>
<b>5. Quick Service Restaurant (QSR)</b>	<b>62.8</b>	<b>2.8%</b>	<b>31.4</b>	<b>1.6%</b>	<b>19.3</b>	<b>1.0%</b>
<b>Total</b>	<b>62.8</b>	<b>2.8%</b>	<b>31.4</b>	<b>1.6%</b>	<b>19.3</b>	<b>1.0%</b>
<b>6. Swine Farm</b>	<b>191.7</b>	<b>8.6%</b>	<b>162.4</b>	<b>8.0%</b>	<b>153.5</b>	<b>8.3%</b>
<b>Total</b>	<b>191.7</b>	<b>8.6%</b>	<b>162.4</b>	<b>8.0%</b>	<b>153.5</b>	<b>8.3%</b>
<b>Total Sales</b>	<b>2,217.5</b>	<b>99.3%</b>	<b>1,993.0</b>	<b>98.7%</b>	<b>1,822.9</b>	<b>98.7%</b>
<b>Other Incomes</b>	<b>15.5</b>	<b>0.7%</b>	<b>26.3</b>	<b>1.3%</b>	<b>23.2</b>	<b>1.3%</b>
<b>Total Revenues</b>	<b>2,233.0</b>	<b>100%</b>	<b>2,019.2</b>	<b>100.0%</b>	<b>1,846.1</b>	<b>100.0%</b>

### *Traditional Thai Foods*

Traditional Thai foods has a total sales growth of 42.8 million baht, accounted for 13.7% of the total sales mix, recorded its sales growth of 9.9% Compound Annual Growth Rate (CAGR) during the past 3 years. Factors affects the sales growth are new product's launching and expansion in distribution channels making the increase in sales volume and sales revenue.

Export was about 2.9% of its total sales more than the previous year, resulted from the establishment of S.Khonkaen Foods (Netherlands) B.V. which are the main distributor in EU and UK (appointed OEM in the Netherlands) and from expanding the customer base to AEC, resulted in Traditional Thai food's growth is 33.3 million baht or 102.8%

### *Processed Seafood (Fish Balls)*

Seafood balls, another company's core business, contributed 33.9% in sales mix. It had strong growth of 10.6% CAGR during the past 3 years. In 2014, it recorded 5.4% sales growth which was mainly resulted from fully opting business strategies sustaining products quality and customer's loyalty. This year, the Company launched the new products and expands the customer target in modern trade and wet market. Even though, the fluctuation price of raw materials is quite serious, the Company managed to control the price by importing frozen seafood internationally having an advantage over competitors.

Exporting processed seafood in 2014 is at 3.5% from the total revenue which is a bit more than the previous year. In 2013, the export rate is 3.2% from the seafood product revenue. Fish balls is one of the Company's core businesses and products that penetrating AEC market, results in sales growth increase 12.2 million baht from last year or 18.7%

### *Meat-Base-Snack*

Meat-Base-Snack sales is increasing to 25.2 million baht or 36.6% from the previous year with the launching of new products such as pork-rind under the brand "Entree", "Moochi", crisp rice "The Star" lead to significantly increase in sales in 2014.

### ***Ready-to-Eat (RTE) meals and Ready-To-Heat (RTH) frozen foods***

RTE meals and RTH frozen foods were decreased in sales growth of 13.9 million or 8.4% of which came from the policy to focus on producing profitable products volume resulted in a change in OEM manufacture that has lower profit margin. The Company now focuses to produce to QSR which has more profitable sales margin.

### ***Quick-Service Restaurant (QSR)***

**Zaap Express** still has strong revenues growth. In 2014, the sales growth is 16.2% from the operation of its 5 outlets. This year, the Company continued to launch marketing promotion, offer food delivery service, and adapting customer's demands to the menu marking the success of its sales growth in each branch.

The new outlets expansion was slower than its plan since the company has revised the business model to cope with the labors shortage and too high labor cost in operating the restaurants. The revised model is to emphasize on home and office delivery.

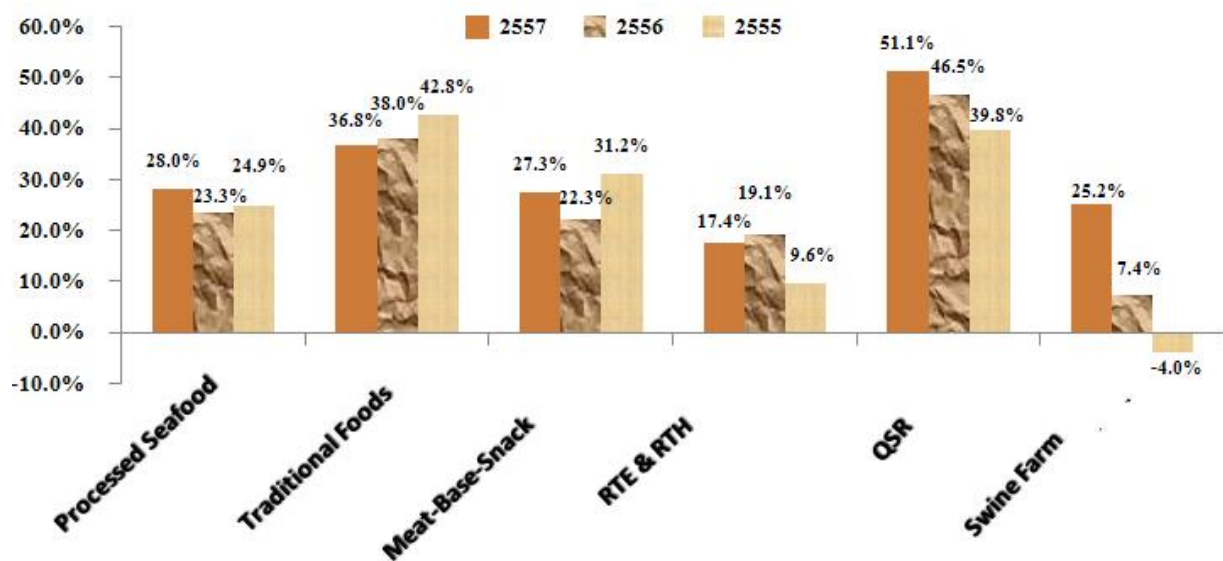
**Yunnan by S.Khonkaen** The Company opened the pilot outlet at Bangchak Gas Station Bangna - Trad Km 4.5 in April and another 3 outlets in November 2013. In 2014, the Company expanded the restaurants reaching its 20 branches domestically. The total sales are 30.1 million baht growth from last year. In 2015, the Company is looking to open another 12 branches.

### ***Swine Farm business***

Swine Farm business had revenues growth of 18%, increased from last year 29.2 million baht. The growth was significantly raised due to the increase in pork price in 2014 and rise in swine number than 2013.

## **2.2 Gross Profit Margin**

Overall company's gross profit margin is 31.5% increasing 3.3% from 2013 which was 28.2%. The details are as followed:



- **Traditional Thai foods'** Gross profit margin decreased from 38% in 2013 to 36.8% in 2014 as a result of high increase in pork price. However, the company was able to increase selling price and products of traditional Thai foods, qualifying productivity, and controlling risk of price volatility. As a result, its gross profit margin was not significantly affected.
- **Seafood balls'** gross profit margin was increasing from 23.3% in 2013 to 28.0 in 2014. Even though the cost had negative impact from the increase in domestic fish price and the higher overtime cost, the company started importing frozen fish from various sources with lower price to average down the overall fish cost year making an increase in gross profit margin.
- **Snack's** gross profit margin in 2014 was also deteriorated by large increase in pork price but the Company was able to gain more gross profit margin from this product category from 22.3% to 27.3% in 2014, resulted from launching a new products that contributes more profit and adjusting distribution channels by being its own distributor.
- **RTE meals and RTH frozen foods'** gross profit margin slightly dropped. In 2014, the gross profit margin was at 17.4% compared to last year 19.1%, resulted from dramatic increase in raw material price. Another factor is OEM (Original Equipment Manufacturer) market is highly competitive leading to a lower gross profit margin. Nevertheless, the Company changed OEM's policy to focus only to produce for QSR which yields more profit.

- **Quick service restaurant's** gross profit margin was significantly improved from 39.8% in 2012 to 46.5% in 2013 and rose to 51.1% this year as a result of very high sales growth and significant improvement in restaurant management. The Company is able to reduce the food cost from loss significantly and the increased in manufacture capacity offered a more efficient food cost management.
- **Swine farm** recorded positive gross profit margin at 25.2% in 2014 more than previous year comparing to negative gross profit margin of 7.4%, as a result of higher pork prices situation. The company is able to control the food and medicine cost for swine effectively increasing gross profit margin significantly this year.

### 2.3 Selling, General & Administrative Expenses

Selling and administration expenses increased by Baht 105.6 million or 23.3% increase, which was in line with sales increase. As a result, percentage of selling and administration expenses to sales revenue was 25.2% which was the more than the former year, at 22.7% due to advertising and launching new products: “Moochi” and “The Star” including the expansion of Yunnan branches, and payroll and employees’ benefit in order to accommodate businesses expansion.

### 2.4 Interest Expenses

Financial cost decreased from Baht 19.3 million to Baht 16.3 million. However, if the Company includes the interest rate charged by financial institutions 5.2 million baht will add up the interest rate to 21.5 million baht or increase 11.4%.

### 2.5 Effects of the Changes in Accounting Policies

No significant changes in Accounting Policies

## 2.6 Net Income

The net income increases from 91.79 million baht in 2013 to 111.42 million baht in 2014, considers 21.4 % increased due to the extended total sales revenue and controlled cost management that lead to a better gross profit margin.

## 2.7 Return on Equity

In 2014, the company achieved 17.5% ROE, increased from previous record 15.4% ROE in 2013, as a result of increase in net profit.

### (3) Performance of Assets

- At the end of 2014, the company recorded Baht 1,608.56 million and comprised of Baht 586.23 million or accounted for 36.4% of current assets and Baht 1,022.33 million which were 63.6% of non-current assets. This proportion of current and non-current assets remained at the same level of the past year.
- In 2014, the company invested Baht 234.19 million in capital expenditures: Seafood Balls capacity expansion project, Yunnan business branches expansion, and replacement of machinery and equipment and for technology improvement to increase production efficiency and cut cost.
- The Total Assets Turnover of 2014 was 1.5 times a bit lower than 1.6 times in 2013 because the company had invested in many new projects all years round making the overall revenue unclear and the total assets turnover decreases from last year .
- The management of asset (current asset) was also monitored and controlled to be in line with the company's policy.

-Accounts Receivable Days in 2014 is at 53.7 days similar to 53.6 days in 2013

-Average Holding Period in 2014 is 41.5 days close with 2013 which was 41.3 days



-Average Collection Period in 2014 is 51 days more than last year of 45.9 days

-Cash Cycle in 2014 is 44.2 days better than in 2013 which was 49.0 days

- In 2014, The company had Baht 331.8 million, or 20.6% of investment properties which mostly are lands waiting to be developed located in Kaeng Khoi, Saraburi province, where the dual-track railways system will pass by. The Company planned to liquidate these lands, just waiting for the right timing in order to get the better price.
- Net Assets Realized Values

Allowances for impairment investment were not provided in allowances for impairment loss on investment since the Company has a stable financial situation and great business operation.

Allowances for doubtful debt in 2014 were at very low rate only 0.16% or 0.04% of the account receivable since the company's had trusted accounts receivable. Debt aging is shown below:

Unit : Baht Million

	Not Due Yet	0-3 months	3-6 months	6-12 months	>12 months	Total
<b>Account Receivable</b> (Before Allowance for Doubtful Debt)	352.24	3.72	0.41	0.03	0.29	356.69

The value of inventories was reduced by Baht 1.0 million of obsolete packaging as a result of the postponement of new product launching.

## **(4) Liquidity and Capital Adequacy**

### **4.1 Sources and Usages of Funds**

The operating cash flow of Baht 197.3 million (3.7% increased from 2013 as decrease in EBIT) was still the major source of fund in 2014.

Net Working capital slightly increased from Baht 282.1 million in 2013 to Baht 298.8 million in 2014, or increased by only 5.9%, despite the fact that sales revenues were increased. The slower growth in net working capital was resulted from prudent management and the company grew its sales in the fresh market channel with shorter credit terms.

Net cash flow (after income tax) from operating activities was of Baht 136.6 million. Baht 225.2 million was used in investing activities. In financing activities was used of Baht 88.4 million.

In brief, the operating cash flow is a major source for business expansion in the year 2014.

## **4.2 Financing Structure and Leverage Ratios**

### **4.2.1 Financing Structure**

Debt/ Equity ratio, D/E ratio As of December 2014, the company's had Debt/ Equity ratio (D/E ratio), at 1.4 times which was lower than an average D/E ratio of industry. Net Interest Bearing Debt to Equity ratio was at only 0.92 times; therefore the company still has room for leverage for future expansion.

Interest Coverage Ratio: DSCR Interest Coverage ratio was at a high level of 13.5 times more than in 2013 which has DSCR 11.7times.

## **4.3 Capital Expenditure**

Capital Expenditures (CAPEX) incurred in 2014 was comprised of the 3 sections followings:

- 1) Baht 47.96 million of Annual CAPEX which was mostly used for replacement of machinery and equipment and for efficiency improvement and cost reduction program and also for purchasing swine breeder as well.
- 2) Baht 155 million was CAPEX spent for Seafood Balls capacity expansion project of MFP. The total project cost was estimated at Baht 348 million with the following cash reimbursement schedule:

	2012	2013	2014	2015	Total
<b>CAPEX</b>	29	31	155	133	348
<b>(Baht Million)</b>					

The new facilities will partly start productions at the beginning of the 2<sup>nd</sup> quarter of 2015 and the project will be totally completed within the 3<sup>rd</sup> quarter of 2015.

#### Project Details

1. Increase capacity of Seafood Balls from 9,000 tons to almost 15,000 tons per year
2. New Halal Meat-based-snacks (Chicken and Seafood) production line to export
3. Efficiency improvement and cost reduction programs comprised of 1) Ice Production facility, 2) Fish Head cutting Machine 3) Fully Automated Scaling and Packing line 4) Cold Storage this will increase manufacture capacity of fish ball to cope with the high demand and yield the cost saving by approximately 2%.

For 2015, the Company still has 133 million baht of CAPEX for this project which are mainly for construction and machine. The remaining amount of Baht 177.5 million or 88.3% of this CAPEX will be financed by the committed project financing facilities. The rest (15.5 million baht) will be financed by internal cash flow.

3) Investment project on “Yunnan” restaurant’s expansion to 20 branches in 2014 are 31.2 million baht.

#### **4.4 Liquidity**

For the 2014, the Company had decent liquidity with Current ratio of 0.8 times, close to last year’s liquidity. However, the Company’s policy is to maintain the Current ratio at 1 time, and the company is under discussion with banks to convert some short term borrowings to longer term debts.

The Company had banking facilities with quite a number of banks so as to diversify its liquidity risk. By the end of 2013, the short term borrowing facilities received were adequate to support the company’s expansion.

Furthermore, the company successfully issued Bill of Exchange (B/E) in 2013 to raise short term funds directly from the capital market which has lower interest than Bank. This will enhance the overall company's funding capability.

#### **(5) Long Term Debts Obligation**

**At 31<sup>st</sup> December 2015**

**Unit : Baht Million**

	Total	Loan Periods			
		< 1 Year	1-3 years	3-5 Years	> 5 Years
Long Term Debt	178.6	24.4	96.7	57.0	0.6

#### **(6) Major Factors or Events affecting the Company's future Performances**

##### ***1) Factors that affect the business operations are as summarized below:***

- 1) The overall economy will directly affect the company's revenues, evidenced by the sales of snacks dramatically dropped in 2013 as household spent less in un-necessity goods and the sluggish economic situation in many international partners will continue to 2015. However, traditional Thai foods, seafood balls, and RTE meal and RTH frozen foods don't have major negative impacts from the slowdown in economy since they are life necessity goods.
- 2) Pork price volatility directly impact to the gross profit margin as it is the major raw material in many products of the company. Nevertheless, the company closely monitors the pork price and when the price is on the up-trend, the company will stock the pork meat for up to 3-6 months to lock up the cost. The company, as a price setter, is able to increase selling prices, to some extent, to cope with the increased cost. Furthermore, to have its own swine farm (as a hedging tool) is also shelter the overall gross profit margin of the company not too much volatile.

- 3) There is possibility that modern trade operators would charge more fees and expenses in relation to the company's sales. However, this would be mitigated could the company is able to pass this cost to consumer in some extent.
- 4) The company set up the new Traditional Trade Market sales team (TT Market) to aggressively penetrate the TT Market. The strategy will leverage on the company's cost leadership status and high brand loyalty. Increase in sales revenues from this channel will strongly enhance the company future growth.

## ***II) Seafood Balls Capacity Expansion and Halal Meat-Base-Snack Project***

The seafood balls facilities will be commenced at the 2<sup>nd</sup> quarter 2015, while the Halal meat-base-snack will start its operation at the beginning of the 3<sup>rd</sup> quarter in the same year

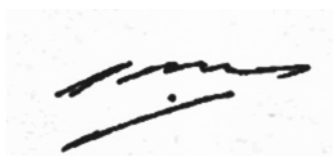
For 2015, the Company still has the expensed of this project for 133 million baht which are comprised of construction's expense and new machines. This project is financially supported by the finance institute to around 230 million baht in which the Company already took 112.5 million baht in 2014, having the amount of 117.5 million baht (88.35% of invested expense in 2015, worth 133 million baht). The 15.5 million baht will opt from cash flow from operation.

**14. To obtain more information, the Company's annual registration statement (Form 56-1) is available for public access at the SEC website ([www.sec.or.th](http://www.sec.or.th)) and the Company website ([www.sorkon.co.th](http://www.sorkon.co.th)).**

## **Report of Board of Directors' Responsibilities for Financial Statements**

The Board of Directors is responsible for the consolidated financial statements of the Company and its subsidiaries, the separate financial statements of the Company, and the financial information in the Annual Report. In preparation of the financial statements for the year ended December 31, 2014, appropriate accounting policies have been practiced consistently and in compliance with the generally accepted accounting standards. Significant information has also been sufficiently disclosed in notes to financial statements and these financial statements have been audited by independent certified auditors who have given their unqualified opinions.

The Board of Directors has appointed an Audit and Corporate Governance Committee which comprises of three independent directors who are responsible for reviewing the financial reports and for maintaining the adequacy of the internal control and audit systems of the Company. The Audit and Corporate Governance Committee has expressed its opinion with regard to the stated matters in the Report of the Audit and Corporate Governance Committee which is presented in this Annual Report.



.....  
Mr. Somchai Sakulsurarat  
Chairman of the Board of Directors



.....  
Mr. Charoen Rujirasopon  
Chief Executive Officer

## **Audit and Corporate Governance Committee Report**

The Audit Committee of S.Khonkaen Foods Public Company Limited comprises of three independent directors, namely Mr. Worapon Lopansri as Chairman of the Audit Committee, Mr. Prasarn Marukpitak and Mr. Chusak Vichakhana as members of the Audit Committee. None of Audit Committee members is an executive, an employee, or stakeholders of the Company.

In 2014, the Audit Committee held 4 meetings and all three members attended all 4 meetings. The Committee has reviewed the financial statements of the Company in accordance with its scope of works and responsible for the preparation of the report to the Company Board of Directors regarding the transparency, accuracy, and reliability of the financial report as well as to review and to ensure that the Company has an adequate and appropriate internal control system and also compliance with laws and regulations. The Audit Committee also provided any other comments to the Board. The period of the auditing was ended at 31 December 2014.

The Company prepared the financial report in compliance with the generally accepted accounting standards. The independent auditor performs its duties independently and also had a meeting with the Audit Committee. The financial statements were audited in accordance with Thai Financial Reporting standard, which is complete and reliable, and significant information has also been sufficiently disclosed. The Company also provided a good corporate governance and appropriate and adequate internal control system in accordance with guidelines established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) and other related laws and regulations. The Company conducted business with transparency and provided accurate, reliable, complete, and appropriate financial reports. The related transactions were handled properly adhering to the established policy and guideline.



(Mr. Worapon Lopansri)

Chairman of the Audit and Corporate Governance Committee

S. Khonkaen Foods Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2014



## **Independent Auditor's Report**

To the Shareholders of S. Khonkaen Foods Public Company Limited

I have audited the accompanying consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of S. Khonkaen Foods Public Company Limited for the same period.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S. Khonkaen Foods Public Company Limited and its subsidiaries and of S. Khonkaen Foods Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 25 February 2015

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 31 December 2014**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	26,944,603	27,140,684	3,440,919	1,871,349
Trade and other receivables	6, 8	364,391,222	297,266,011	351,728,812	282,281,150
Short term loans to subsidiaries	6	-	-	97,269,052	72,010,723
Inventories	9	182,762,039	167,516,423	100,137,944	96,807,701
Other current assets		12,130,417	10,880,998	6,717,311	5,380,301
<b>Total current assets</b>		<b>586,228,281</b>	<b>502,804,116</b>	<b>559,294,038</b>	<b>458,351,224</b>
<b>Non-current assets</b>					
Restricted bank deposits	10	1,351,892	195,066	-	-
Investments in subsidiaries	11	-	-	292,188,898	292,188,898
Investment properties	12	331,844,299	332,089,099	62,530,000	62,530,000
Breeding stocks	13	14,762,023	7,649,079	-	-
Property, plant and equipment	14	639,671,999	431,623,680	271,910,554	246,162,790
Leasehold right on buildings	15	1,997,947	4,106,178	1,997,947	4,106,178
Intangible assets	16	18,490,606	18,820,809	18,175,666	18,427,733
Deferred tax assets	24	1,939,354	3,037,316	-	-
Other non-current assets		12,277,715	7,760,365	11,952,589	7,709,365
<b>Total non-current assets</b>		<b>1,022,335,835</b>	<b>805,281,592</b>	<b>658,755,654</b>	<b>631,124,964</b>
<b>Total assets</b>		<b>1,608,564,116</b>	<b>1,308,085,708</b>	<b>1,218,049,692</b>	<b>1,089,476,188</b>

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2014**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	17	427,922,627	325,326,351	371,562,841	273,659,715
Trade and other payables	6, 18	248,345,179	182,723,422	203,888,472	159,275,259
Short term loan from subsidiary	6	-	-	44,000,000	26,000,000
Current portion of financial lease payables	19	3,147,018	4,060,158	2,141,126	2,940,623
Current portion of long-term loans	20	28,560,000	30,155,700	12,547,000	16,463,700
Income tax payable		12,825,403	11,475,278	1,668,406	4,676,024
Other current liabilities		14,942,117	12,911,301	10,899,014	8,983,603
Total current liabilities		735,742,344	566,652,210	646,706,859	491,998,924
Non-current liabilities					
Financial lease payables, net of current portic	19	3,611,095	3,768,113	1,714,293	1,590,691
Long-term loans, net of current portion	20	150,088,700	77,648,700	4,458,700	17,005,700
Deferred tax liabilities	24	10,600,500	9,034,575	10,225,242	8,946,685
Other non-current liabilities		6,546,679	2,698,959	224,001	-
Provision for long-term employee benefits	21	37,299,962	36,065,205	19,686,782	19,240,297
Total non-current liabilities		208,146,936	129,215,552	36,309,018	46,783,373
Total liabilities		943,889,280	695,867,762	683,015,877	538,782,297

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2014**

(Unit: Baht)

	Note	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		As at	As at	As at	As at
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Shareholders' equity</b>					
Share capital					
Registered					
24,255,000 ordinary shares of Baht 10 each		242,550,000	242,550,000	242,550,000	242,550,000
Issued and fully paid					
24,255,000 ordinary shares of Baht 10 each		242,550,000	242,550,000	242,550,000	242,550,000
Share premium		50,281,000	50,281,000	50,281,000	50,281,000
Share premium on treasury stock		37,552,153	37,552,153	-	-
Retained earnings					
Appropriated - statutory reserve	22	24,255,000	24,255,000	24,255,000	24,255,000
Unappropriated		218,073,938	165,877,486	139,780,679	155,440,755
Other components of shareholders' equity		90,502,174	90,439,314	78,167,136	78,167,136
Equity attributable to owners of the Company		663,214,265	610,954,953	535,033,815	550,693,891
Non-controlling interests of the subsidiaries		1,460,571	1,262,993	-	-
<b>Total shareholders' equity</b>		<b>664,674,836</b>	<b>612,217,946</b>	<b>535,033,815</b>	<b>550,693,891</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,608,564,116</b>	<b>1,308,085,708</b>	<b>1,218,049,692</b>	<b>1,089,476,188</b>
		-	-	-	-

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Income statement**

**For the year ended 31 December 2014**

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>					
Sales		2,217,481,111	1,992,963,052	1,584,489,981	1,446,161,252
Other income		15,472,860	26,267,389	38,255,868	79,402,505
<b>Total revenues</b>		<b>2,232,953,971</b>	<b>2,019,230,441</b>	<b>1,622,745,849</b>	<b>1,525,563,757</b>
<b>Expenses</b>					
Cost of sales		1,520,013,794	1,431,339,282	1,093,016,573	1,011,135,939
Selling expenses		279,372,444	195,697,422	253,753,948	173,511,951
Administrative expenses		278,649,640	256,739,823	215,416,973	199,833,186
<b>Total expenses</b>		<b>2,078,035,878</b>	<b>1,883,776,527</b>	<b>1,562,187,494</b>	<b>1,384,481,076</b>
<b>Profit before finance cost and income tax expenses</b>		<b>154,918,093</b>	<b>135,453,914</b>	<b>60,558,355</b>	<b>141,082,681</b>
Finance cost		(16,287,454)	(19,264,634)	(14,216,197)	(16,046,606)
<b>Profit before income tax expenses</b>		<b>138,630,639</b>	<b>116,189,280</b>	<b>46,342,158</b>	<b>125,036,075</b>
Income tax expenses	24	(27,212,333)	(24,396,707)	(3,062,584)	(11,261,820)
<b>Profit for the year</b>		<b>111,418,306</b>	<b>91,792,573</b>	<b>43,279,574</b>	<b>113,774,255</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		111,136,102	91,598,225	43,279,574	113,774,255
Non-controlling interests of the subsidiaries		282,204	194,348		
		<b>111,418,306</b>	<b>91,792,573</b>		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company	25	4.58	3.78	1.78	4.69

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the year ended 31 December 2014**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
<b>Profit for the year</b>	<u>111,418,306</u>	<u>91,792,573</u>	<u>43,279,574</u>	<u>113,774,255</u>
<b>Other comprehensive income:</b>				
Translation adjustment	<u>62,860</u>	<u>(37,299)</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year</b>	<u>62,860</u>	<u>(37,299)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><u>111,481,166</u></u>	<u><u>91,755,274</u></u>	<u><u>43,279,574</u></u>	<u><u>113,774,255</u></u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<u>111,198,962</u>	<u>91,560,926</u>	<u><u>43,279,574</u></u>	<u><u>113,774,255</u></u>
Non-controlling interests of the subsidiaries	<u>282,204</u>	<u>194,348</u>		
	<u><u>111,481,166</u></u>	<u><u>91,755,274</u></u>		

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Cash flow statement**

**For the year ended 31 December 2014**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Profit before income tax expenses	138,630,639	116,189,280	46,342,158	125,036,075
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:				
Depreciation	42,838,677	40,020,828	26,001,474	24,483,748
Depreciation - breeding stocks	4,314,355	4,359,260	-	-
Amortisation of leasehold right on buildings	1,089,544	1,180,118	1,089,544	1,180,118
Amortisation of intangible assets	2,405,420	1,834,848	2,329,491	1,758,623
Deferred rental expense	246,501	-	224,001	-
Allowance for impairment of assets	129,191	-	129,191	-
Reversal of impairment on investment properties	(137,384)	-	-	-
Write-off equipment and computer software	558,521	1,532,488	105,923	1,472,488
Reversal of reduction of inventory to net realisable value	(4,982,999)	6,558,050	(4,982,999)	6,558,050
Gain on sales of equipment	(1,018,000)	(153,372)	(613,887)	(104,249)
Gain on sales of breeding stocks	(4,041,836)	(4,616,244)	-	-
Gain on sales of leasehold right on buildings	(981,313)	-	(981,313)	-
Gain on sales of investment property	(612,675)	-	-	-
Unrealised (gain) loss on exchange	(621,457)	(383,644)	130,214	(383,644)
Provision for long-term employee benefits	3,672,107	4,736,461	2,064,415	2,745,600
Dividend income	-	-	(25,955,374)	(69,699,423)
Interest income	(492,128)	(272,717)	(4,056,891)	(4,338,000)
Interest expenses	16,287,454	19,264,634	14,216,197	16,046,606
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>197,284,617</b>	<b>190,249,990</b>	<b>56,042,144</b>	<b>104,755,992</b>
Operating assets (increase) decrease				
Trade and other receivables	(69,106,047)	(1,226,947)	(71,307,624)	2,597,397
Inventories	(19,354,255)	(18,473,319)	1,652,756	472,503
Other current assets	(1,249,419)	(929,610)	(1,337,010)	(1,150,950)
Other non-current assets	(1,917,349)	1,734,732	(1,643,224)	1,766,733
Operating liabilities increase (decrease)				
Trade and other payables	50,938,402	809,230	44,428,130	2,885,034
Cash paid for long-term employee benefits	(2,437,350)	(1,570,510)	(1,617,930)	(1,335,010)
Other current liabilities	2,030,816	1,637,015	1,915,411	953,651
Other non-current liabilities	3,601,219	2,237,269	-	-
Cash flows from operating activities	159,790,634	174,467,850	28,132,653	110,945,350
Cash paid for corporate income tax	(23,198,322)	(35,256,361)	(4,791,645)	(18,369,554)
<b>Net cash flows from operating activities</b>	<b>136,592,312</b>	<b>139,211,489</b>	<b>23,341,008</b>	<b>92,575,796</b>

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



**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Cash flow statement (continued)**

**For the year ended 31 December 2014**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
<b>Cash flows from investing activities</b>				
Increase in restricted bank deposits	(1,156,826)	(23,736)	-	-
Cash receipt from short-term loan to subsidiaries	-	-	51,500,000	84,000,000
Short-term loans to subsidiaries	-	-	(77,510,000)	(76,010,723)
Acquisition of property, plant and equipment	(228,193,988)	(86,249,552)	(49,320,612)	(25,842,646)
Acquisition of sows and boars	(3,916,060)	(219,885)	-	-
Acquisition of computer software	(2,077,424)	(2,628,955)	(2,077,424)	(2,628,955)
Acquisition of investment in subsidiary	-	-	-	(4,197)
Proceeds from sales of equipment	1,031,023	764,026	626,455	107,220
Proceeds from sales of sows and boars	5,622,234	5,770,607	-	-
Cash receipt from sales of leasehold right on building	2,000,000	-	2,000,000	-
Proceeds from sales of investment property	994,859	-	-	-
Dividend received	-	-	25,955,374	69,699,423
Cash received from interest income	494,421	254,372	3,938,310	4,266,541
<b>Net cash flows from (used in) investing activities</b>	<b>(225,201,761)</b>	<b>(82,333,123)</b>	<b>(44,887,897)</b>	<b>53,586,663</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	102,596,276	8,938,043	97,903,126	(24,694,283)
Cash receipt from short-term loan from subsidiary	-	-	44,000,000	26,000,000
Repayment of short-term to subsidiary	-	-	(26,000,000)	(50,000,000)
Cash receipt from long-term loans	101,000,000	82,500,000	-	-
Cash paid for long-term loans	(30,155,700)	(67,447,000)	(16,463,700)	(19,092,000)
Decrease in financial lease payable	(4,604,445)	(4,169,785)	(3,352,203)	(2,301,117)
Cash paid for interest expenses	(21,461,347)	(20,489,270)	(14,031,114)	(16,331,512)
Dividend paid to non-controlling interests of the subsidiaries	(84,626)	(293,959)	-	-
Dividend paid	(58,939,650)	(58,939,650)	(58,939,650)	(58,939,650)
<b>Net cash flows from (used in) financing activities</b>	<b>88,350,508</b>	<b>(59,901,621)</b>	<b>23,116,459</b>	<b>(145,358,562)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(258,941)</b>	<b>(3,023,255)</b>	<b>1,569,570</b>	<b>803,897</b>
Translation adjustment	62,860	(37,299)	-	-
Cash and cash equivalents at beginning of year	27,140,684	30,201,238	1,871,349	1,067,452
<b>Cash and cash equivalents at end of year</b>	<b>26,944,603</b>	<b>27,140,684</b>	<b>3,440,919</b>	<b>1,871,349</b>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash items transaction				
Purchases of equipment by financial lease agreements	3,534,287	3,024,570	2,676,308	-
Purchase of equipment for which cash has not been paid	14,672,852	-	-	-
Interest recorded as property plant and equipment	5,184,396	1,173,264	-	-

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2014**

(Unit: Baht)

	Consolidated financial statements												
	Equity attributable to owners of the Company												
	Other components of equity holders												
	Other comprehensive income						Surplus of changes in shareholder's equity to subsidiaries	Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity		
	Issued and fully paid-up share capital	Share premium	Share premium on treasury stock	Retained earnings	Unappropriatedin foreign currency	Exchange differences on translation of financial statements							
				Appropriated			Surplus on revaluation of land	Surplus on revaluation of land of subsidiaries					
Balance as at 31 December 2012	242,550,000	50,281,000	37,552,153	24,255,000	133,218,911	-	78,167,136	10,659,759	1,649,718	90,476,613	578,333,677	1,362,604	579,696,281
Dividend paid (Note 27)	-	-	-	-	(58,939,650)	-	-	-	-	-	(58,939,650)	-	(58,939,650)
Total comprehensive income for the year	-	-	-	-	91,598,225	(37,299)	-	-	-	(37,299)	91,560,926	194,348	91,755,274
Decrease in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(293,959)	(293,959)
Balance as at 31 December 2013	242,550,000	50,281,000	37,552,153	24,255,000	165,877,486	(37,299)	78,167,136	10,659,759	1,649,718	90,439,314	610,954,953	1,262,993	612,217,946
Balance as at 31 December 2013	242,550,000	50,281,000	37,552,153	24,255,000	165,877,486	(37,299)	78,167,136	10,659,759	1,649,718	90,439,314	610,954,953	1,262,993	612,217,946
Dividend paid (Note 27)	-	-	-	-	(58,939,650)	-	-	-	-	-	(58,939,650)	-	(58,939,650)
Total comprehensive income for the year	-	-	-	-	111,136,102	62,860	-	-	-	62,860	111,198,962	282,204	111,481,166
Decrease in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(84,626)	(84,626)
Balance as at 31 December 2014	242,550,000	50,281,000	37,552,153	24,255,000	218,073,938	25,561	78,167,136	10,659,759	1,649,718	90,502,174	663,214,265	1,460,571	664,674,836
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 December 2014**

(Unit: Baht)

	Separate financial statements				Other components of equity holders	Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other comprehensive income	
			Appropriated	Unappropriated	Surplus on revaluation of land	
<b>Balance as at 31 December 2012</b>	242,550,000	50,281,000	24,255,000	100,606,150	78,167,136	495,859,286
Dividend paid (Note 27)	-	-	-	(58,939,650)	-	(58,939,650)
Total comprehensive income for the year	-	-	-	113,774,255	-	113,774,255
<b>Balance as at 31 December 2013</b>	<u>242,550,000</u>	<u>50,281,000</u>	<u>24,255,000</u>	<u>155,440,755</u>	<u>78,167,136</u>	<u>550,693,891</u>
<b>Balance as at 31 December 2013</b>	242,550,000	50,281,000	24,255,000	155,440,755	78,167,136	550,693,891
Dividend paid (Note 27)	-	-	-	(58,939,650)	-	(58,939,650)
Total comprehensive income for the year	-	-	-	43,279,574	-	43,279,574
<b>Balance as at 31 December 2014</b>	<u>242,550,000</u>	<u>50,281,000</u>	<u>24,255,000</u>	<u>139,780,679</u>	<u>78,167,136</u>	<u>535,033,815</u>
	-	-	-	-	-	-
	-	-	-	-	-	-

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

## S. Khonkaen Foods Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

#### For the year ended 31 December 2014

#### 1. General information

S. Khonkaen Foods Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of processed food products. The registered office of the Company is at 259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), Phraeknong Nuer, Vadhana, Bangkok.

#### 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

#### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of S. Khonkaen Foods Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			Percent	Percent
S. Pasusat Co., Ltd.	Breeding and sales of finishing swine	Thailand	100	100
S.K.K. Food Co., Ltd.	Distribution of processed products	Thailand	99	99
Mahachai Food Processing Co., Ltd.	Manufacture and distribution of processed seafood	Thailand	99	99
S. Khonkaen Foods (Netherlands) B.V.	Distribution of processed products	Netherlands	100	100

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
  - c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
  - d) The assets and liabilities in the financial statements of overseas subsidiary company are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
  - e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
  - f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

#### (a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates

TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases – Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets – Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

**(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

**TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognize actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

**TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

**TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 *Interests in Joint Ventures*. This standard requires an entity to account for an investment in a jointly controlled entity that meets the definition of a joint venture using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Company and its subsidiaries believes that this standard will not have any impact on the Company's and its subsidiaries' financial statements as the Company and its subsidiaries have already applied the equity method to an investment in a jointly controlled entity.

#### **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

#### **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

### **4. Significant accounting policies**

#### **4.1 Income recognition**

##### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

##### *Interest income*

Interest income is recognised as interest accrues based on the effective rate method.

##### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

#### **4.2 Cash and cash equivalents**



Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

#### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

#### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

#### **4.5 Investments**

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.6 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

No depreciation is provided on land which is treated as investment property.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### **4.7 Property, plant and equipment and depreciation**

Land is stated at cost or revalued amount. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land is initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus on land" in respect of the same asset.

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Building	20 years
Machinery and equipment	5-10 years
Furniture, fixtures and office equipment	5-10 years
Motor vehicles	5 years

No depreciation is provided on land and construction in progress.

Depreciation is included in determining income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

#### **4.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.9 Breeding stocks**

For subsidiary, the breeding stocks are expected to have useful lives of three years. The approximate resale value of boars and sows are about Baht 6,500 each.

#### **4.10 Intangible assets**

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	5 - 10 years

#### **4.11 Leasehold right on building/Amortisation**

Leasehold right on land and building is stated at cost less accumulated amortisation and allowance for loss on impairment of assets (if any). Amortisation of leasehold right on land and building is calculated based on the straight-line basis over the lease term.

The amortisation expense are included in determining income.

#### **4.12 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

#### **4.13 Long-term leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.14 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.15 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss. However in cases where land was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

#### **4.16 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

#### ***Post-employment benefits***

##### ***Defined benefit plans***

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

#### **4.17 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.18 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### **Property plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

The Company measures land at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land. The valuation involves certain assumptions and estimates.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### **Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

#### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### **6. Related party transactions**

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Transfer
	2014	2013	2014	2013	Pricing Policy
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	30,099	26,060	Gross profit of 7% - 15%
Rental income	-	-	166	124	Mutually agreed agreement
Service income	-	-	1,805	1,100	Agreed price

Sales of equipment and supplies	-	-	117	78	Agreed price
Dividend income	-	-	25,955	69,699	As declared
Interest income	-	-	3,579	4,073	3.86% - 4.50% per annum
Rental expenses	-	-	-	54	Mutually agreed agreement
Purchases of goods	-	-	280,665	281,149	Cost plus margin 5% - 20%
Purchases of equipment and supplies	-	-	-	64	Agreed price
Interest expenses	-	-	896	854	3% per annum

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b><u>Trade and other receivables (Note 8)</u></b>				
Subsidiaries	-	-	2,809	2,324
<b><u>Short-term loans to subsidiaries</u></b>				
Subsidiaries	-	-	97,269	72,011
<b><u>Trade and other payables (Note 18)</u></b>				
Subsidiaries	-	-	22,479	20,897
<b><u>Short-term loan from subsidiary</u></b>				
Subsidiary	-	-	44,000	26,000

Loans to subsidiaries and loans from subsidiary

As at 31 December 2014 and 2013, the balance of loans between the Company and those related companies and the movement are as follows:

(Unit: Thousand Baht)						
Loans to related parties	Related by	Separate financial statements				
		Balance as at 31 December 2013	Increase during the year	Decrease during the year	Unrealised loss on exchange	Balance as at 31 December 2014
S. Pasusat Co., Ltd.	Subsidiary	41,000	-	(31,500)	-	9,500
Mahachai Food Processing Co., Ltd.	Subsidiary	29,000	73,000	(20,000)	-	82,000



S. Khonkaen Foods (Netherlands)				(752)	
B.V.	Subsidiary	2,011	4,510	-	5,769
Total		72,011	77,510	(51,500)	97,269

(Unit: Thousand Baht)

		Separate financial statements			
		Balance as at 31 December 2013	Increase during the year	Decrease during the year	Balance as at 31 December 2014
Loan from a related party	Related by				
S.K.K. Food Company Limited	Subsidiary	26,000	44,000	(26,000)	44,000

### Directors and management's benefits

During the year ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	86,824	71,579	69,054	56,404
Post-employment benefits	1,722	2,845	1,319	2,005
Total	88,546	74,424	70,373	58,409

### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 28.3 (3) to the financial statements.

## **7. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash	2,097	661	1,933	312
Bank deposits	24,848	26,480	1,508	1,559
Total	26,945	27,141	3,441	1,871

As at 31 December 2014, bank deposits in saving accounts carried interests between 0.10 and 1.25 percent per annum (2013: between 0.10 and 1.75 percent per annum).

## **8. Trade and other receivables**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	2,230	1,783
Total trade receivables - related parties	-	-	2,230	1,783

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	352,241	255,729	339,339	249,548
Past due				
Up to 3 months	3,722	33,321	1,696	22,587
3 - 6 months	412	1,106	253	1,106
6 - 12 months	26	34	26	34
Over 12 months	289	-	289	-
Total	356,690	290,190	341,603	273,275
Less: Allowance for doubtful debts	(159)	-	-	-
Total trade receivables - unrelated parties, net	356,531	290,190	341,603	273,275
Total trade receivables, net	356,531	290,190	343,833	275,058
<u>Other receivables</u>				
Advances - related party	-	-	-	83
Interest receivable - related party	-	-	579	458
Advance to employees	157	1,416	157	1,416
Others	7,703	5,660	7,160	5,266
Total other receivables	7,860	7,076	7,896	7,223
Total trade and other receivables - net	364,391	297,266	351,729	282,281

As at 31 December 2013, the Company transferred rights of claim totaling Baht 28 million to a financial institution to secure the short-term loan.

## 9. Inventories

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	Reduce cost to net	Inventory-net

	Cost		realisable value		2014	2013
	2014	2013	2014	2013		
Raw materials and packing materials	91,370	90,959	(970)	(6,794)	90,400	84,165
Finished goods	39,792	47,048	(152)	(191)	39,640	46,857
Work in process	17,860	209	(885)	-	16,975	209
Crop during planting	461	491	-	-	461	491
Breeding stocks during feeding	35,286	35,794	-	-	35,286	35,794
Total	184,769	174,501	(2,007)	(6,985)	182,762	167,516

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventory-net	
	2014	2013	2014	2013	2014	2013
Raw materials and packing materials	49,543	58,533	(970)	(6,794)	48,573	51,739
Finished goods	34,742	45,051	(152)	(191)	34,590	44,860
Work in process	17,860	209	(885)	-	16,975	209
Total	102,145	103,793	(2,007)	(6,985)	100,138	96,808

During the current year, the Company reduced cost of inventories by Baht 3 million (2013: Baht 7 million), to reflect the net realisable value. This was included in administrative expenses. In addition, the Company reversed the write-down of cost of inventories by Baht 8 million (2013: None), and reduced the amount of inventories recognised as expenses during the year.

#### 10. Restricted bank deposits

These represent bank deposits pledged with the bank to secure against a fuel credit card and letter of guarantee issued by the bank on behalf of the subsidiaries as discussed in Note 28.3 (1).

#### 11. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2014	2013	2014	2013	2014	2013	2014	2013
			Percent	Percent				
S. Pasusat Co., Ltd.	45	45	100	100	44,968	44,968	-	-

S.K.K. Food Co., Ltd.	120	120	99	99	119,225	119,225	25,955	49,841
Mahachai Food Processing Co., Ltd.	85	85	99	99	127,992	127,992	-	19,858
S. Khonkaen Foods (Netherlands) B.V.	4	4	100	100	4	4	-	-
Total					<u>292,189</u>	<u>292,189</u>	<u>25,955</u>	<u>69,699</u>

## 12. Investment properties

The net book value of investment properties as at 31 December 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Land awaiting development</b>				
Cost	357,808	358,191	82,271	82,271
Less: Allowance for diminution in value	(25,964)	(26,102)	(19,741)	(19,741)
Net book value	<u>331,844</u>	<u>332,089</u>	<u>62,530</u>	<u>62,530</u>

The fair value of the investment properties as at 31 December 2014 and 2013 is stated below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Land awaiting development	491,630	491,875	62,630	62,630

The fair value of the above investment properties has been determined based on valuation performed by an accredited independent valuer. The fair value of the land awaiting development has been determined based on market prices.

As at 31 December 2014, the Company and its subsidiaries have mortgaged a plot of land with a net book value of Baht 169 million (2013: Baht 168 million) with financial institutions to secure against loans of the Company and its subsidiaries (The Company only: Baht 61 million, 2013: Baht 62 million).

### 13. Breeding stocks

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		
	Sows	Boars	Total
<b>Cost:</b>			
1 January 2013	12,366	610	12,976
Transfers in/purchase	4,939	232	5,171
Disposals/transfers	(5,420)	(244)	(5,664)
31 December 2013	11,885	598	12,483
Transfers in/purchase	17,064	344	17,408
Disposals/transfers	(10,476)	(132)	(10,608)
31 December 2014	18,473	810	19,283
<b>Accumulated depreciation:</b>			
1 January 2013	4,798	187	4,985
Depreciation for the year	4,183	176	4,359
Depreciation on disposals	(4,335)	(175)	(4,510)
31 December 2013	4,646	188	4,834
Depreciation for the year	4,095	219	4,314
Depreciation on disposals	(4,554)	(73)	(4,627)
31 December 2014	4,187	334	4,521
<b>Net book value:</b>			
31 December 2013	7,239	410	7,649
31 December 2014	14,286	476	14,762
<b>Depreciation for the year (fully included in cost of sales)</b>			
2013			4,359
2014			4,314

## 14. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
<b>Cost / Revalued amount:</b>							
1 January 2013	195,995	246,989	289,339	56,029	47,824	9,412	845,588
Additions	6,779	3,478	9,271	2,933	7,836	60,192	90,489
Disposals	-	(36)	(440)	(26)	(2,782)	-	(3,284)
Write-off	-	-	-	(2,458)	-	(60)	(2,518)
Transfers	-	11,378	6,743	143	1,050	(19,314)	-
Adjustment	(770)	3,985	-	(3,985)	-	728	(42)
31 December 2013	202,004	265,794	304,913	52,636	53,928	50,958	930,233
Additions	2,100	1,184	15,623	5,955	7,336	219,388	251,586
Disposals	-	(178)	(2,142)	(1,031)	(4,920)	-	(8,271)
Write-off	-	(3,723)	(16,306)	(2,784)	(98)	(263)	(23,174)
Transfers	-	43,097	10,224	4,109	139	(57,569)	-
31 December 2014	204,104	306,174	312,312	58,885	56,385	212,514	1,150,374
<b>Accumulated depreciation:</b>							
1 January 2013	3,660	155,431	228,484	37,219	30,477	-	455,271
Depreciation for the year	700	13,856	13,548	4,491	7,426	-	40,021
Depreciation on disposals	-	(15)	(438)	(26)	(2,195)	-	(2,674)
Depreciation on write-off	-	-	-	(986)	-	-	(986)
31 December 2013	4,360	169,272	241,594	40,698	35,708	-	491,632
Depreciation for the year	742	14,195	15,468	4,746	7,688	-	42,839
Depreciation on disposals	-	(178)	(2,142)	(1,018)	(4,920)	-	(8,258)
Depreciation on write-off	-	(3,673)	(16,093)	(2,753)	(98)	-	(22,617)
31 December 2014	5,102	179,616	238,827	41,673	38,378	-	503,596
<b>Allowance for impairment loss:</b>							
1 January 2013	6,977	-	-	-	-	-	6,977
31 December 2013	6,977	-	-	-	-	-	6,977
Increase during the year	-	-	66	63	-	-	129
31 December 2014	6,977	-	66	63	-	-	7,106
<b>Net book value:</b>							
31 December 2013	190,667	96,522	63,319	11,938	18,220	50,958	431,624
31 December 2014	192,025	126,558	73,419	17,149	18,007	212,514	639,672
<b>Depreciation for the year</b>							
2013 (Baht 19 million included in manufacturing cost, and the balance in selling and administrative expenses)							40,021
2014 (Baht 24 million included in manufacturing cost, and the balance in selling and administrative expenses)							42,839

(Unit: Thousand Baht)

## Separate financial statements

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
<b>Cost / Revalued amount:</b>							
1 January 2013	130,692	126,899	202,181	46,200	27,378	6,411	539,761
Additions	-	1,135	6,180	2,541	3,832	12,155	25,843
Disposals	-	-	(20)	(23)	(410)	-	(453)
Write-off	-	-	-	(2,458)	-	-	(2,458)
Transfers	-	7,403	4,468	143	-	(12,014)	-
Adjustment	-	3,985	-	(3,985)	-	-	-
31 December 2013	130,692	139,422	212,809	42,418	30,800	6,552	562,693
Additions	-	1,184	13,485	5,036	4,204	28,089	51,998
Disposals	-	-	-	(178)	(3,246)	-	(3,424)
Write-off	-	-	(632)	-	-	-	(632)
Transfers	-	22,482	5,167	4,109	-	(31,758)	-
31 December 2014	130,692	163,088	230,829	51,385	31,758	2,883	610,635
<b>Accumulated depreciation:</b>							
1 January 2013	-	78,585	163,032	29,017	15,871	-	286,505
Depreciation for the year	-	7,092	9,217	3,816	4,358	-	24,483
Depreciation on disposals	-	-	(17)	(22)	(410)	-	(449)
Depreciation on write-off	-	-	-	(986)	-	-	(986)
31 December 2013	-	85,677	172,232	31,825	19,819	-	309,553
Depreciation for the year	-	6,723	10,476	4,095	4,708	-	26,002
Depreciation on disposals	-	-	-	(166)	(3,245)	-	(3,411)
Depreciation on write-off	-	-	(526)	-	-	-	(526)
31 December 2014	-	92,400	182,182	35,754	21,282	-	331,618
<b>Allowance for impairment loss:</b>							
1 January 2013	6,977	-	-	-	-	-	6,977
31 December 2013	6,977	-	-	-	-	-	6,977
Increase during the year	-	-	66	63	-	-	129
31 December 2014	6,977	-	66	63	-	-	7,106
<b>Net book value:</b>							
31 December 2013	123,715	53,745	40,577	10,593	10,981	6,552	246,163
31 December 2014	123,715	70,688	48,581	15,568	10,476	2,883	271,911
<b>Depreciation for the year</b>							
2013 (Baht 9 million included in manufacturing cost, and the balance in selling and administrative expenses)							24,483
2014 (Baht 10 million included in manufacturing cost, and the balance in selling and administrative expenses)							26,002

The Company and its subsidiaries arranged for an independent professional valuer to appraise the value of certain land in 2011. The basis of the revaluation was market approach.

Based on historical cost, their net book values as of 31 December 2014 and 2013 would have been as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Land	73,272	73,272	32,983	32,983

As at 31 December 2014, the Company and its subsidiaries have vehicles acquired under financial lease agreement, with net book value amounting to approximately Baht 9 million (2013: Baht 11 million) (The Company only: Baht 5 million, 2013: Baht 5 million).

As at 31 December 2014, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to approximately Baht 310 million (2013: Baht 300 million) (The Company only: Baht 244 million, 2013: Baht 223 million).

During the year ended 31 December 2014, a subsidiary included borrowing costs in the cost of assets amounting to Baht 5 million (2013: Baht 1 million) with capitalisation rate of 3.86 - 6.88%.

The Company and its subsidiaries have mortgaged a plot of land and building constructed thereon and machineries with a total net book value as at 31 December 2014 of Baht 164 million as collateral for credit facilities granted by commercial banks (2013: Baht 166 million) (The Company only: Baht 130 million, 2013: Baht 133 million).

#### 15. Leasehold right on buildings

	(Unit: Thousand Baht)	
	Consolidated/Separate	
	financial statements	
	2014	2013
Warehouse	4,222	7,822
Area in shopping center for Zaap Express	4,855	4,855
Total	9,077	12,677
Less: Accumulated amortisation	(7,079)	(8,571)
Leasehold rights - net	1,998	4,106



Amortisation expenses for the year	1,090	1,180
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## 16. Intangible assets

The net book value of intangible assets as at 31 December 2014 and 2013 is presented below.

	(Unit: Thousand Baht)	
	Computer software	
	Consolidated financial statements	Separate financial statements
As at 31 December 2014		
Cost	30,849	30,107
Less: Accumulated amortisation	(12,358)	(11,931)
Net book value	18,491	18,176
As at 31 December 2013		
Cost	28,772	28,029
Less: Accumulated amortisation	(9,951)	(9,601)
Net book value	18,821	18,428

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	18,821	18,027	18,428	17,557
Acquisition of computer software	2,077	2,629	2,077	2,629
Amortisation	(2,405)	(1,835)	(2,329)	(1,758)
Write-off	(2)	-	-	-
Net book value at end of year	18,491	18,821	18,176	18,428

## 17. Bank overdrafts and short-term loans from financial institutions

		(Unit: Thousand Baht)			
		Consolidated		Separate	
	Interest rate	financial statements		financial statements	
	(percent per annum)	2014	2013	2014	2013
Bank overdrafts	6.75 - 8.125	37,923	34,743	11,563	13,077

Short-term loans from					
financial institutions	4.38 - 6.98	390,000	290,583	360,000	260,583
Total		<u>427,923</u>	<u>325,326</u>	<u>371,563</u>	<u>273,660</u>

The above credit facilities of the Company are secured by the mortgage of the Company's land and building and by the guarantee of the Company's directors. The credit facilities of its subsidiaries are secured by the mortgage of its subsidiaries' land and building and by the guarantee of the Company.

#### 18. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Trade payables - related parties	-	-	22,376	20,830
Trade payables - unrelated parties	138,021	112,911	98,507	77,106
Interest payables - related parties	-	-	103	67
Accrued sale promotion	63,775	49,563	63,775	49,563
Accrued expenses	30,926	19,693	19,100	11,682
Payables for equipment	14,673	-	-	-
Others	950	556	27	27
Total trade and other payables	<u>248,345</u>	<u>182,723</u>	<u>203,888</u>	<u>159,275</u>

#### 19. Liabilities under finance lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Liabilities under finance lease	7,513	8,597	4,308	4,851
Less: Deferred interest expense	(755)	(769)	(453)	(319)
Total	6,758	7,828	3,855	4,532
Less: Portion due within one year	(3,147)	(4,060)	(2,141)	(2,941)
Liabilities under finance lease agreement - net of current portion	<u>3,611</u>	<u>3,768</u>	<u>1,714</u>	<u>1,591</u>

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in their operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are 4 and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:-

(Unit: Thousand Baht)

	Consolidated financial statements					
	As at 31 December 2014			As at 31 December 2013		
	Less than			Less than		
	1 year	1-5 years	Total	1 year	1-5 years	Total
Future minimum lease payments	3,542	3,971	7,513	4,506	4,091	8,597
Deferred interest expenses	(395)	(360)	(755)	(446)	(323)	(769)
Present value of future minimum lease payments	3,147	3,611	6,758	4,060	3,768	7,828

(Unit: Thousand Baht)

	Separate financial statements					
	As at 31 December 2014			As at 31 December 2013		
	Less than			Less than		
	1 year	1-5 years	Total	1 year	1-5 years	Total
Future minimum lease payments	2,378	1,930	4,308	3,167	1,684	4,851
Deferred interest expenses	(237)	(216)	(453)	(226)	(93)	(319)
Present value of future minimum lease payments	2,141	1,714	3,855	2,941	1,591	4,532

## 20. Long-term loans

As at 31 December 2014 and 2013, long-term loans are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	financial statements		statements	
	2014	2013	2014	2013
Loans from banks	178,649	107,804	17,006	33,469
Less: Current portion of long-term loans	(28,560)	(30,155)	(12,547)	(16,463)
Net	150,089	77,649	4,459	17,006

Movements in the long-term loans account during the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2013	92,751	52,561
Add: Additional borrowings	82,500	-
Less: Repayment	(67,447)	(19,092)
Balance as at 31 December 2013	107,804	33,469
Add: Additional borrowings during the year	101,000	-
Less: Repayment during the year	(30,155)	(16,463)
Balance as at 31 December 2014	178,649	17,006

The details of long-term loans classified by the Company and its subsidiaries are presented below.

Company's name	Balance of long-term loans		Interest rate per agreement		Condition of payment
	2014	2013	2014	2013	
	Thousand Baht	Thousand Baht	Percent per annum	Percent per annum	
S. Khonkaen Foods Plc.	-	1,000	Year 1-2 4.0 %	Year 1-2 4.0 %	Every three months started in June 2009
	11,250	18,750	Year 3-7 MLR	Year 3-7 MLR	Every month started in June 2010
	3,595	7,615	MLR	MLR	Every month started in June 2011
	-	2,491	Year 1 MLR-0.5	Year 1 MLR-0.5	Every month started in March 2012
	2,161	3,613	Year 2-4 MLR	Year 2-4 MLR	Every month started in June 2012
			Year 1 MLR-0.5	Year 1 MLR-0.5	
Mahachai Food Processing Co., Ltd.	29,600	39,440	Year 2-4 MLR	Year 2-4 MLR	Every month started in June 2012
	95,500	11,500	MLR	MLR	Every month started in May 2013
	17,000	-	MLR-1.5	MLR-1.5	Every month started in December 2015
S. Pasusat Co., Ltd.			MLR-1.5	-	Every month started in December 2016
	19,543	23,395	Year 1 MLR-1	Year 1 MLR-1	Every month started in July 2013
			Year 2-6 MLR	Year 2-6 MLR	
Total	178,649	107,804			

The above long-term loans of the Company are secured by the mortgage of the Company's land, building, machineries and by the guarantee of the Company's directors.

The long-term loans of the subsidiaries are secured by the mortgage of the subsidiaries' land, building, machineries and by the guarantee of the parent company.

The loan agreements contain several covenants which, among other things, require the subsidiary to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

As at 31 December 2014, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 209 million (2013: Baht 187 million) (The Company only: Baht 70 million, 2013: Baht 71 million).

## 21. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the company, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Defined benefit obligation at beginning of year</b>	36,065	32,899	19,240	17,829
Current service cost	2,573	3,229	1,477	1,920
Interest cost	1,099	1,507	588	826
Benefits paid during the year	(2,437)	(1,570)	(1,618)	(1,335)
<b>Provisions for long-term employee benefits at end of year</b>	<b>37,300</b>	<b>36,065</b>	<b>19,687</b>	<b>19,240</b>

Long-term employee benefit expenses included in the profit or loss consist of the following:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current service cost	2,573	3,229	1,477	1,920
Interest cost	1,099	1,507	588	826
<b>Total expense recognised in profit or loss</b>	<b>3,672</b>	<b>4,736</b>	<b>2,065</b>	<b>2,746</b>
Line items in profit or loss under which such expenses are included				
Selling and administrative expenses	3,672	4,736	2,065	2,746

Key actuarial assumptions used for the valuation are as follows.

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.13 - 4.18	4.13 - 4.18	4.18	4.18
Future salary increase rate	4.16 - 8.51	4.16 - 8.51	4.16 - 8.51	4.16 - 8.51
Staff turnover rate (depending on age)	0.00 - 79.00	0.00 - 79.00	0.00 - 79.00	0.00 - 79.00

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2014	37,300	19,686	-	-
Year 2013	36,065	19,240	-	-
Year 2012	32,899	17,829	3,907	1,776
Year 2011	33,786	21,866	-	-
Year 2010	30,163	19,435	-	-

## 22. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 23. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Salaries and wages and other employee benefits	494,242	355,975	381,432	238,366
Depreciation and amortization	45,244	41,856	28,331	26,242
Rental expenses from operating lease agreements	24,824	22,601	23,219	20,991
Raw materials and consumables used	1,191,270	1,056,418	953,141	824,194
Changes in inventories of finished goods and work in process	(8,398)	(4,137)	(7,343)	(1,679)

## 24. Income tax / deferred tax assets (liabilities)

Income tax expenses for the year ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Current income tax charge	24,548	23,585	1,784	11,824
Adjustment in respect of income tax of previous year	-	68	-	68
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	2,664	744	1,279	(630)
<b>Income tax expenses reported in profit or loss</b>	<b>27,212</b>	<b>24,397</b>	<b>3,063</b>	<b>11,262</b>

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Accounting profit before tax	138,631	116,189	46,342	125,036
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	27,726	23,238	9,268	25,007
Adjustment in respect of income tax of previous year	-	68	-	68
Effects of:				
Non-deductible expenses	1,889	1,787	833	628
Additional expense deductions allowed	(1,124)	(1,065)	(629)	(758)
Exempted revenue	-	-	(5,191)	(13,939)
Others	(1,279)	369	(1,218)	256
Total	(514)	1,091	(6,205)	(13,813)
Income tax expenses reported in the income statement	27,212	24,397	3,063	11,262

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
<b>Deferred tax assets</b>				
Allowance for diminution in value of inventories	402	1,398	402	1,398
Impairment on investment property	5,193	5,220	3,948	3,948
Impairment on assets	1,743	1,717	1,743	1,717
Impairment on investment	392	392	392	392
Depreciation of breeding stocks	351	384	-	-
Provision for long-term employee benefits	7,460	7,213	3,937	3,848
Unused tax loss	-	1,091	-	-
Deferred rental expenses	48	-	45	-



Total deferred tax assets	15,589	17,415	10,467	11,303
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(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	31	31	31	31
	December	December	December	December
	2014	2013	2014	2013
<b>Deferred tax liabilities</b>				
Cost of swine	(150)	(142)	-	-
Cost of machinery and equipment	(1,929)	(1,099)	(1,150)	(708)
Unrealised gain from revaluation of land	(22,172)	(22,172)	(19,542)	(19,542)
Total deferred tax liabilities	(24,251)	(23,413)	(20,692)	(20,250)
Net deferred tax assets (liabilities)	(8,662)	(5,998)	(10,225)	(8,947)
<b>Deferred tax assets (liabilities) presented in statement of financial position</b>				
Deferred tax assets	1,939	3,037	-	-
Deferred tax liabilities	(10,601)	(9,035)	(10,225)	(8,947)
Net deferred tax assets (liabilities)	(8,662)	(5,998)	(10,225)	(8,947)

## 25. Basic earnings per share

### Consolidated

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year by netting from the treasury stock held by its subsidiaries, and adjusting the number of ordinary shares held by third parties in proportion to the change in the number of shares as a result of the distribution of stock dividend. The number of ordinary shares of the prior period has been adjusted as if the stock dividend had been distributed at the beginning of the earliest period reported.

### Separate financial statements

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year and adjusting the number of ordinary shares held by third parties in proportion to the change in the number of shares as a result of the distribution of stock dividend. The number of ordinary shares of the prior period has been adjusted as if the stock dividend had been distributed at the beginning of the earliest period reported.

Basic earnings per share are calculated as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Profit attributable to equity holder of the parent (Baht)	111,136,102	91,598,225	43,279,574	113,774,255
Weighted average number of ordinary shares (shares)	24,255,000	24,255,000	24,255,000	24,255,000
Earnings per share (Baht/share)	4.58	3.78	1.78	4.69

## 26. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and have four reportable segments as follows:

1. Production and distribution of processed food from pork
2. Production and distribution of processed seafood
3. Breeding and sales of finishing swine
4. Purchase and distribution of processed products

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following table present revenue, profit, and total assets and total liabilities information regarding the Company's and its subsidiaries' operating segments for the year ended 31 December 2014 and 2013, respectively.

	Production and distribution of processed food from pork		Production and distribution of processed seafood		Breeding and sales of finishing swine		Purchase and distribution of processed products		Total segments		Adjustments and elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue from external customers	1,554,497	1,420,110	2,325	2,509	191,717	162,447	468,942	407,897	2,217,481	1,992,963	-	-	2,217,481	1,992,963
Inter-segment revenue	29,992	26,051	616,607	591,814	22	-	-	-	646,621	617,865	(646,621)	(617,865)	-	-
Interest revenue	4,057	4,338	-	-	11	8	900	853	4,968	5,199	(4,475)	(4,926)	493	273
Interest expense	14,216	16,047	3,660	4,440	2,562	3,595	324	109	20,762	24,191	(4,475)	(4,926)	16,287	19,265
Depreciation and amortisation	28,331	26,242	7,574	7,117	8,043	7,183	1,344	1,357	45,292	41,899	(48)	(43)	45,244	41,856
Sale promotion expenses	113,247	102,805	-	-	-	-	382	359	113,629	103,164	-	-	113,629	103,164
Income tax expenses	3,063	11,262	6,087	4,180	8,288	1,309	9,774	7,646	27,212	24,397	-	-	27,212	24,397
<b>Segment profit</b>	111,088	91,794	24,132	15,744	32,115	4,775	37,800	27,769	205,135	140,082	(93,717)	(48,289)	111,418	91,793
<b>Segment total assets</b>														
Addition to non-current assets other than financial instruments, deferred tax assets	95,439	(19,851)	184,440	32,010	4,867	17,302	1,167	(1,080)	285,913	28,381	(67,761)	17,463	218,152	45,844

## Geographic information

Revenue from external customers is based on locations of the customers.

(Unit: Thousand Baht)

	2014	2013
Revenue from external customers		
Thailand	2,141,977	1,937,066
Others	75,504	55,897
Total	2,217,481	1,992,963

## Major customers

For the year 2014, the Company and its subsidiaries have revenue from two major customers in the amounts of Baht 502 million and Baht 301 million, arising from sales by production and distribution of processed food from pork segment (2013: Baht 457 million and Baht 304 million derived from same segment).

## 27. Dividends

The Company declared dividends in the years 2014 and 2013 as follows.

(Unit: Thousand Baht)

	Approved by	Total dividends	Dividend per share
Dividend for 2013	Annual General Meeting of the shareholders on 24 April 2014	58,940	2.43
Dividend for 2012	Annual General Meeting of the shareholders on 29 April 2013	58,940	2.43

## 28. Commitments and contingent liabilities

### 28.1 Capital commitments

As at 31 December 2014, the Company and its subsidiaries had capital commitments of approximately Baht 80 million relating to the construction of factory building and machineries (2013: Baht 86 million) (The Company only: Baht 21 million, 2013: Baht 3 million).

### 28.2 Operating lease and service commitments

The Company has entered into several lease agreements in respect of the lease of land, office building space and service. The terms of the agreements are generally between 1 and 20 years.

Future minimum lease payments required under these non-cancellable operating lease contracts and service agreements were as follows.

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2014	2013	2014	2013
Payable:				
In up to 1 year	28,565	28,537	20,972	20,242
In over 1 year and up to 5 years	24,807	14,726	20,028	13,869
In over 5 years	10,875	1,107	-	1,107

### 28.3 Guarantees

- (1) As at 31 December 2014, the subsidiaries have pledged their bank deposits to secure against a fuel credit card and letter of guarantee issued by bank of Baht 1.1 million and Baht 0.2 million, respectively (31 December 2013: None and Baht 0.2 million, respectively).
- (2) A plot of land and building constructed thereon has been mortgaged with financial institutions to secure loan of the Company and its subsidiaries.
- (3) As at 31 December 2014 and 2013, the Company has the following obligations in respect of guarantees provided to banks for loan facilities:-

Guarantor	Guarantee	(Unit: Million Baht)	
		As at 31 December	
		2014	2013
S. Khonkaen Foods Plc.	S. Pasusat Co., Ltd.	42	42
	S.K.K. Food Co., Ltd.	60	60
	Mahachai Food Processing Co., Ltd.	240	120
<b>Total</b>		<b>342</b>	<b>222</b>

- (4) As at 31 December 2014, there were outstanding consolidated bank guarantees of approximately Baht 5 million issued by the banks on behalf of the Company and its subsidiaries in respect of guarantees for electricity use (2013: Baht 4 million) (The Company only: Baht 3 million, 2013: Baht 3 million).

### 28.4 Letter of credit

As at 31 December 2014, the subsidiary had unused letter of credit amounting to Baht 6 million.

## 29. Financial instruments

### 29.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, trade accounts payable, bank overdrafts and loans from financial institutions. The financial risks associated with these financial instruments and how they are managed is described below.

#### *Credit risk*

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, loans and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable, loans and other receivables as stated in the statement of financial position.

#### *Interest rate risk*

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, loans to, bank overdrafts and loans from financial institutions. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	(Million Baht)					
	Consolidate financial statements					
	As at 31 December 2014					
	Fixed interest rates					
	Within	1-5	Over	Floating	Non-	
	1 year	years	5 years	interest rate	interest bearing	Total
						Interest rate
						(% per annum)
<b>Financial Assets</b>						
Cash and cash equivalent	-	-	-	27	-	27
Trade and other receivable	2	-	-	-	362	364
Deposits at bank with restrictions	-	1	-	-	-	1
	2	1	-	27	362	392

(Million Baht)

	Consolidate financial statements						
	As at 31 December 2014						
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	428	-	428	6.75 - 8.125
Trade and other payables	-	-	-	-	248	248	-
Long-term loans	29	150	-	-	-	179	MLR
	29	150	-	428	248	855	

(Million Baht)

	Consolidated financial statements						
	As at 31 December 2013						
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
	Within	1-5	Over				
	1 year	years	5 years				
<u>Financial Assets</u>							
Cash and cash equivalent	-	-	-	27	-	27	0.1 - 1.75
Trade and account receivable	-	-	-	-	297	297	-
	-	-	-	27	297	324	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	325	-	325	6.75 - 8.125
Trade and other payables	-	-	-	-	183	183	-
Long-term loans	30	78	-	-	-	108	MLR
	30	78	-	325	183	616	

(Million Baht)

	Separate financial statements						
	As at 31 December 2014						
	Fixed interest rates						
	Within	1-5	Over	Floating	Non- interest bearing	Total	Interest rate
	1 year	years	5 years	interest rate			(% per annum)
<u>Financial Assets</u>							
Cash and cash equivalent	-	-	-	3	-	3	0.10 - 1.25
Trade and other receivable	2	-	-	-	350	352	4.50
Short-term loans to subsidiaries	-	-	-	97	-	97	3.86 - 4.31
	2	-	-	100	350	452	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	372	-	372	0.50 - 1.25
Trade and other payable	-	-	-	-	204	204	-

Short-term loans from subsidiaries	44	-	-	-	-	44	3.00
Long-term loans	13	4	-	-	-	17	MLR
	<u>57</u>	<u>4</u>	<u>-</u>	<u>372</u>	<u>204</u>	<u>637</u>	
(Million Baht)							
Separate financial statements							
As at 31 December 2013							
Fixed interest rates							
	Within	1-5	Over	Floating	Non-		
	1 year	years	5 years	interest rate	interest bearing	Total	Interest rate
							(% per annum)
<u>Financial Assets</u>							
Cash and cash equivalent	-	-	-	2	-	2	0.10 - 1.75
Trade and other receivable	-	-	-	-	282	282	-
Short-term loans to subsidiaries	-	-	-	72	-	72	3.00 - 6.37
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>	<u>282</u>	<u>356</u>	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	274	-	274	6.75 - 8.125
Trade and other payable	-	-	-	-	159	159	-
Short-term loans from subsidiaries	26	-	-	-	-	26	3.00
Long-term loans	16	17	-	-	-	33	MLR
	<u>42</u>	<u>17</u>	<u>-</u>	<u>274</u>	<u>159</u>	<u>492</u>	

### ***Foreign currency risk***

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Average exchange rate	
	as at 31 December		as at 31 December	
	2014	2013	2014	2013
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.6	0.9	32.8128	32.6778
HKD	2.7	1.8	4.2197	4.2044



Foreign exchange contracts outstanding are summarised below.

As at 31 December 2014			
Foreign currency	Sold amount (Million)	Contractual exchange rate Sold (Baht per 1 foreign currency unit)	Contractual maturity date
HKD	1.0	4.19	8 April 2015

As at 31 December 2013			
Foreign currency	Sold amount (Million)	Contractual exchange rate Sold (Baht per 1 foreign currency unit)	Contractual maturity date
US dollar	0.1	32.440	20 June 2014
HKD	1.0	4.155	3 March 2014
HKD	1.0	4.070	20 May 2014
HKD	0.5	4.160	20 June 2014

## 29.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 30. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 1.42:1 (2013: 1.14:1) and the Company's was 1.28:1 (2013: 0.98:1).

## 31. Events after the reporting period

The meeting of the Company's Board of Directors held on 25 February 2015 passed significant resolutions as follows:

- To propose to the Annual General Meeting of Shareholders that a dividend in respect of the operating results be paid to the Company's shareholders for the year 2014. The Company will pay a cash dividend at Baht 2.75 per share, or equivalent to amount of not exceeding Baht 66.7 million.

The dividend will be paid and accounted for after the approval of the Annual General Meeting of the shareholders.

- To approve the Company to invest in a newly established company. The Company will invest in 51% of the share capital of such company. The new subsidiary is principally engaged in the restaurant business. The plan is currently being carried out.

### **32. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2015.

ส่งความปรารถนาดีของคุณ...  
ด้วยการให้กับชุดของขวัญ

*"Best Wishes"*

ผลิตกันที่คุณภาพ โดย ส. ขอนแก่น

