



## ANNUAL REPORT 2016

S. Khonkaen Foods Public Company Limited











With deepest sorrow and condolences  
on the passing of our beloved  
King Bhumibol Adulyadej



The Board of Directors, Management and Staff  
S. Khonkaen Foods Public Company Limited





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[www.sec.or.th](http://www.sec.or.th) or [www.sorkon.co.th](http://www.sorkon.co.th)





# S. Khonkaen

## A MESSAGE FROM OUR CHAIRMAN OF THE BOARD OF DIRECTORS



On a positive note the Thai economy expanded by 3.2 percent and is expected to expand at a rate of 3.5 percent in 2017, despite a modest 0.4 percent expansion in national exports, along with a still weakened world economy and other various external factors. Though the United States showed growth in their economies, other leading economic leader, such as China, Japan and the European Union, had not fully recovered. As a result, the World Trade Organization has estimated the international trade value will expand by only 2.2 percent in 2017.

Assisting the Thai economy in its expansion for 2017 will be the government's economic stimulus measures in the form of fund disbursements for compensation on consumption along with strategic investments in the private sector, whose recovery has lagged behind other sectors.

With ever changing conditions that effect the economy both domestically and internationally, preparation is key to managing both business risks and opportunities alike.

The Board of Directors of S. Khonkaen Foods Public Company Limited is aware of its obligations to our shareholders and embraces the opportunity to manage the pressures of an ever changing environment, both here and abroad, to stay the prosperous course throughout 2017 as a foundation for years to come.

I would like to personally thank our shareholders, customers, suppliers, management team, and staff for your continued loyalty as you all prove to support the longevity and success of our organization.

A handwritten signature in blue ink, appearing to read 'Somchai Sakulsurarat'.

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





# S. Khon

## MESSAGE FROM CHIEF EXECUTIVE OFFICER



In past Year 2016, the overall situation remained somewhat uncheerful. In particular, major trading partners of Thailand, whether they are the United States of America, the People's Republic of China, Japan or Europe, were still in a state of deflation, which resulted in Thailand's exports overall becoming more than 4 percent lower than the target.

However, thanks to industriousness of its management and staff, the Company could even succeed in making a record high of both domestic and international sales and profits for another year, which sales and profits reached the highest level against its core businesses. But on account of its investment in the Quick Service Restaurant (QSR) business, which would yield fairly high profits in future, the Company spent on the employment of professional personnel, the development of its branch management system in parallel with the increase of its branches, and the investment of assets for business expansion. Those investments therefore affected the overall profits, which then decreased to a certain extent, because I am confident that the business base established in this Year 2016 will result in a future significant increase in the overall results of operation, whether in terms of sales or profits.

On this occasion, I would like to thank the shareholders, business allies, patrons, as well as management and staff at all levels who have contributed to the Company's success.



(Mr. Charoen Rujirasopon)  
Chief Executive Officer







## VISION

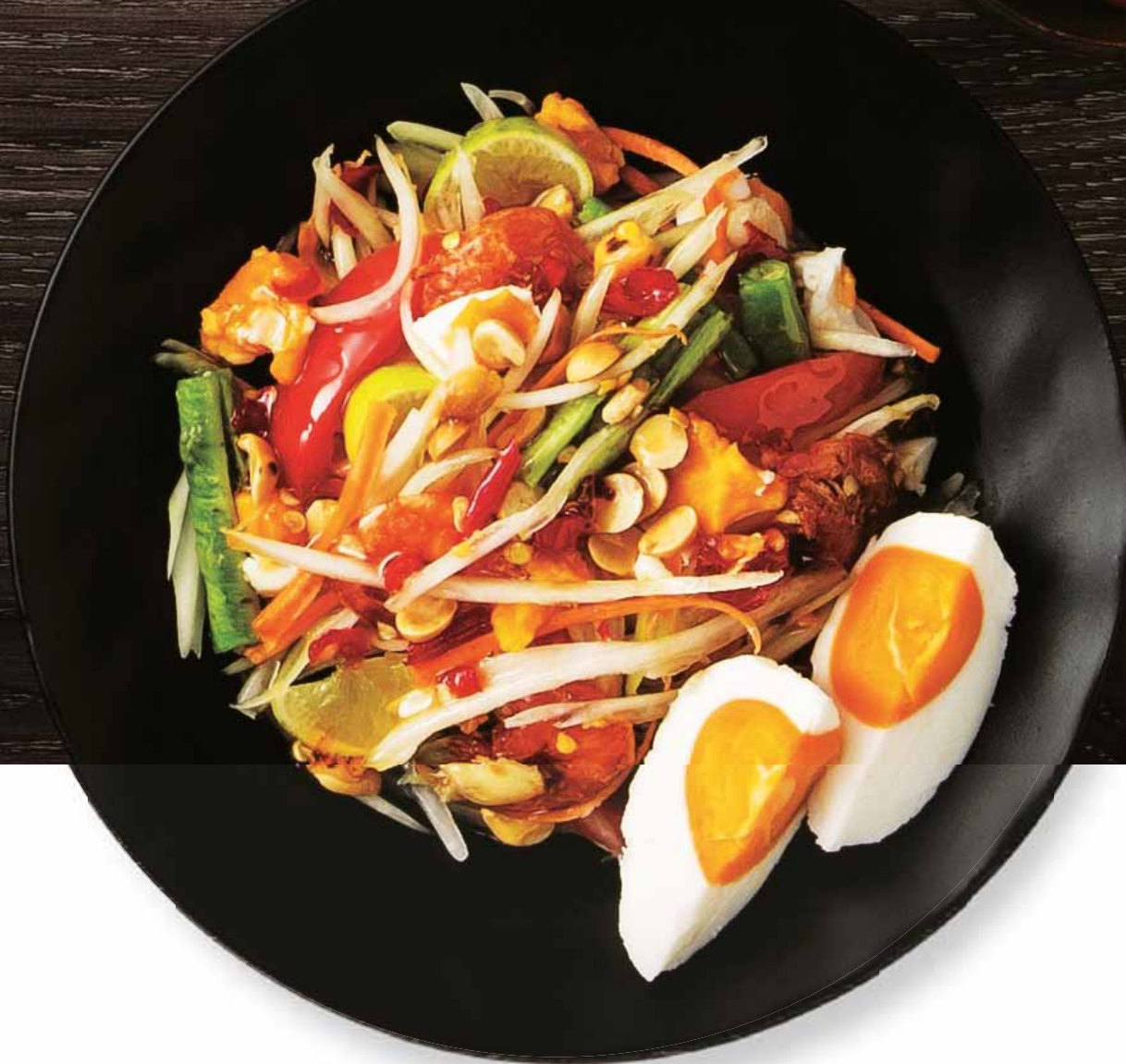
The Company is ambitious to be a leader in Thai foods on the world market, who impresses its stakeholders sustainably through excellent standards and processes of work.

## TARGETS

- “ To be an AEC kitchen ” for the production and distribution of Thai foods, building the brand “ S. Khonkaen ” and other brands of the Company so that they are recognized in the ASEAN Community;
- To become a leader in snacks processed from meat in the AEC, whereas snacks processed from seafood will be targeted at markets in Muslim countries, especially those in the Middle East;
- To build the “ S. Khonkaen ” brand of ready-to-eat frozen foods so that it becomes one on the mind of general consumers, like it has succeeded in building the brand for native foods and fish balls, that is, “ Think about deliciousness, think of S. Khonkaen ”;
- To become a price setter, controlling production cost to a level lower than that of its competitors by developing its production processes or applying new technologies to the improvement thereof so as to increase the efficiency and reduce the cost continuously.

## STRATEGIES

- In the beginning of its market expansion towards the AEC, the Company uses the policy to appoint a distributor in each country, emphasizing on qualifications of the relevant distributor, who must have wide distribution channels covering all target groups of customers and whose financial position is stable.
- The Company focuses on the penetration of food and snack markets in the Muslim country group by taking steps to build a new food and snack factory in accordance with the standards of the Central Islamic Council of Thailand. This enables the Company to expand its market towards Muslim countries in the AEC, especially Indonesia and Malaysia and to export goods to Middle East countries.
- The Company focuses on an upgrade of its factory standards correctly in accordance with rules and regulations so as to export products for distribution in the European Union (EU) and the United States of America.
- The Company allocates budgets of investment in the increase of efficiency and the reduction of cost in an appropriate proportion. Every investment project must yield satisfactory returns.
- The Company attaches continued importance to research and development, taking into consideration consumers’ needs according to changes in their way of living.
- The Company will focus on ready-to-eat frozen products, especially foods which are popular for daily consumption by most of the country’s population, such as stewed pork leg on rice, barbecued red pork in sauce with rice, and fried rice with basis, etc. To this, importance will be attached to the process of developing products before launching them onto the market. That is to say, the products must have passed tests to the extent that they are recognized as ones which are delicious, fresh and clean and meet standards.
- The expansion of the channels of sale or distribution of products of the Company will be both in the form of restaurants and points of sale of the Company itself and through franchising.



## POLICY AND BUSINESS OVERVIEW

1984

S. Khonkaen Foods Public Company Limited was born of visions of Mr. Charoen Rujirasopon and his family, who wanted to set up a Thai food business and make it grow on the world market. The business started in 1984 in the form of a limited company distributing shredded pork, crispy pork and Chinese sausage products from Khonkaen Province before the form of operation was changed to a limited company under the name “ S. Khonkaen Food Industry Co., Ltd. ”. It had a factory processing foods in the category of native food from meat and had a pig farm of its own to reduce the risk of lacks of raw materials.

1991 – 1994

The Company started exporting products processed from pork in 1991. The products were exported to Hong Kong as the first country. The Company was later converted into a public company with new shares issued for sale to the general public and it was listed on the Stock Exchange of Thailand in 1994.

2016

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## 2003

In 2003, the Company branched out into a seafood processing business by investing in a subsidiary to distribute risks resulting from fluctuations of income from the core business. Consequently, a nearly 30 percent growth in its operating income was achieved.

## 2008

Later, in 2008, the Company branched out into a business of snacks made from pork, expanding from its native food business. To this, it invested additionally in packing machines, thereby increasing its operating income in the same year by 13 percent.

## 2009

Then, in 2009, the Company branched out into a business of ready-to-eat frozen foods by purchasing assets from another company because it had discerned a fairly high rate of growth in future in this business as a consequence of a change in the lifestyle of the population in big cities. And in the very same year, the Company expanded its native food market to European Union countries, employing a manufacturer in the Republic of Poland to manufacture native products under the brand “ S. Khonkaen ” for marketing in European Union countries and the United Kingdom.

## 2010

In 2010, the Company launched a Quick Service Restaurant (QSR) business to increase the channels of distribution of its products and to enhance its production capacity. In addition, during the period of Years 2009 - 2010, restructuring the group of companies, the Company and its subsidiaries sold shares of associate companies which do not relate to its core business. This was to focus on the core business and render the business structure clearer. Also, the name was change from “ S. Khonkaen Food Industry Co., Ltd. ” to “ S. Khonkaen Foods Public Company Limited”.

## 2013

In 2013, the Company set up S. Khonkaen Foods (Netherlands) B.V. to carry on the business of distributing products of the Company, employing manufacturers in the Netherlands to make productions as original equipment manufacturers (OEM), with groups of customers residing in European Union countries, including the United Kingdom. The production base was therefore deemed to be relocated from S. Khonkaen Foods (E.U.) Co., Ltd., Republic of Poland, to the Netherlands and such relocation increased the efficiency in the management of cost, especially that involving goods transport, and supported a future growth in the sales turnovers because the ample production capacity of the OEM was sufficient to meet the requirements of the Company. The main products were in the categories of pork ball, beef ball, fermented sausage in banana leaf, Vietnamese sausage and others of S. Khonkaen. And in the same year, the Company took steps to develop its Quick Service Restaurant (QSR) business by opening a “ Yunnan ” restaurant for stewed pork leg on rice with an emphasis on the opening of 4 branches at service stations.





## 2014 - 2016

In 2014, the Company aimed at the implementation of its “ From Farm to Table ” policy through a continuing increase of the Quick Service Restaurant branches for the Yunnan stewed pork leg on rice.

From 2014 to 2016, the Company expanded its Quick Service Restaurant business as follows:

	Year		
	2014	2015	2016
<b>Zaap Classic</b> (spicy papaya salad, roasted chicken)	5	6	14
<b>Yunnan</b> (stewed pork leg on rice)			
- Domestic	23	32	19
- International			
- Kampuchea		1	3
- Laos		2	2
<b>Total</b>	<b>28</b>	<b>41</b>	<b>38</b>

Fourteen branches of the Zaap Classic were opened for business in 2016. Thirty-two domestic branches of the Yunnan had originally been opened and in 2016 thirteen branches not worth costs were closed. There remained 19 domestic branches in total of the Yunnan in 2016, whereas for the international Yunnan two additional branches were opened in Kampuchea and as a result the international Yunnan opened for business included 5 branches in total.

As to the Yunnan expansion strategy, the business form would be readjusted into a franchise. The strategy would be implemented in 2016 and thereafter.





“ทำด้วยใจ...อะไรก็อร่อย”

## BUSINESS POLICIES

S. Khonkaen Foods Public Company Limited implements business policies with the objective of expanding its market so that worldwide groups of customers are covered. The Company is ambitious to become a leader in the production and distribution of foods with good tastes, freshness, cleanliness, and nutritional value under state-of-the-art and hygienic processes of production, mainly taking into account the highest satisfaction of consumers. Also, it emphasizes on sustainable development of business, attaching importance to good corporate governance and corporate social responsibilities (CSR).



## The Group Structure of the Company





### **S. Khonkaen Foods Public Company Limited “SORKON ”**

carries on the business of manufacturing and distributing native products and ready-to-eat frozen foods and the business of food shops in the category of Quick Service Restaurant (QSR), with 3 factories operating under the Company, namely:

- |   |                           |
|---|---------------------------|
| <b>1. Factory producing dry native foods</b>          | in Nakhon Pathom Province |
| <b>2. Factory producing fresh native foods</b>        | in Samut Prakan Province  |
| <b>3. Factory producing ready-to-eat frozen foods</b> | in Samut Sakhon Province  |

Also, S. Khonkaen Foods Public Company Limited distributes processed seafood products through the modern trade channel to Mahachai Food Processing Company Limited.

### **Mahachai Food Processing Company Limited “MFP ”**

carries on the business of producing finished seafood, such as fish balls, shrimp balls, squid balls, chili pastes, dips. The products manufactured by MFP are distributed by SORKON and SKKF.

### **S K K Food Company Limited “SKKF ”**

carries on the business of distributing products of the Company via fresh-food markets. The main products are processed seafood products, chili pastes, dips and native products.

### **S. Pasusat Company Limited “SPS ”**

carries on the business of breeding pig and raised pig farms.

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

carries on the business of distributing products of the Company (by employing manufacturers in the Netherlands to make productions as OEMs).

### **Thai Home Foods Company Limited**

carries on the business of food and beverage selling centers. The business has been ceased since 2015 on account of the termination of the agreement on the Project for Cooperation in Conserving Thai Food Cultures.

### **S. Training Center Company Limited**

carries on the business of providing training services for companies affiliated to the same group or for companies having business relationships as a network.

### **Thai Home Foods (Bangkok) Company Limited**

carries on the business of selling foods and beverage and looking for potential locations for sublet or for the provision of other services.

### **3D Food and Beverage Company Limited**

carries on the business of providing services regarding foods and beverages of all categories in restaurants and food shops as well as the service of delivering all categories of food and beverage.



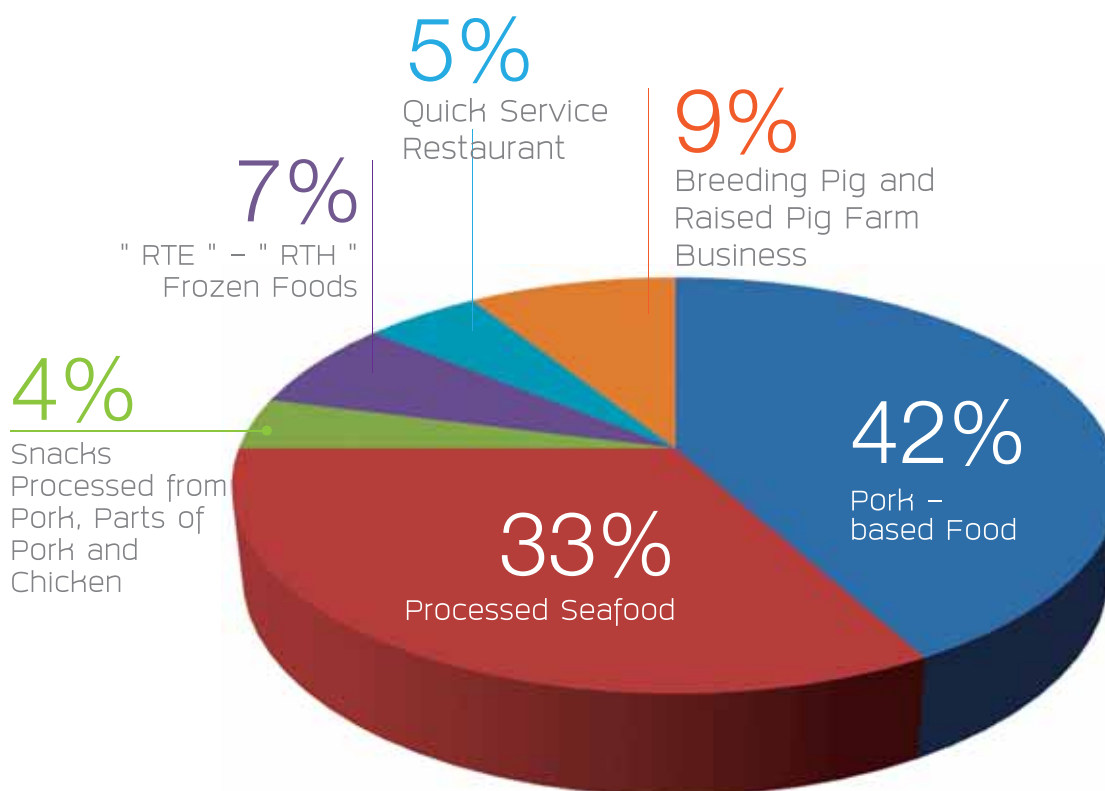
## Nature of Business

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

1. Pork – based Food (Native Foods)
2. Processed Seafood (Fish Balls)
3. Snacks Processed from Pork, Parts of Pork and Chicken
4. Ready-to-Eat “ RTE ” and Ready-to- Heat “ RTH ” Frozen Foods
5. Foods Shop in the Category of Quick Service Restaurant
6. Breeding Pig and Raised Pig Farm Business

The main income of the company derived 94% from domestic sales while export sales yields about 6% and the main export item was fish balls. For native food and the pork snack could be exported a very few countries because of the claim of foot and mouth disease and complete banned importation into EU, U.S.A. and Japan.

### 2016 Group of Products' Ratio







## 1. Pork-based Foods (Native Foods)

Pork-based foods or “ native foods ” constitute one of the core businesses of the Company. Their sales turnover is in the proportion of 43 percent to the total sales turnover. And this is the first business which has been conducted since the commencement of the commercial operation. The pork-based foods are produced from both factories of the Company at Bang Phli and in Nakhon Pathom. The products are marketed and distributed by the Company and SKK Food Company Limited (“ SKKF ”). SKKF markets and distributes the products to all fresh-food markets in the country, whereas the Company markets and distributes them through other channels comprising major retail business operators and convenience stores, up-country agents, direct-to-consumer distributors, and foreign markets via importers abroad. The importer countries include Hong Kong and Macau.

Pork - based foods comprise shredded pork, crispy pork, Chinese sausages, Northeastern (Isan) sausages, Vietnamese sausages, fermented sausages, pork balls and others manufactured under the brands “ S. Khonkaen ”, “ Moodee ”, “ Moohoh ”, “ Huaykaew ”, “ Baanphai ”, “ 3 Gold Medals ”, “ Moo Champ ” and “ Setthi ”.

## Status of the Industry and Competition in 2016

The Company is a leader in the industry of native foods in the category of processed meat while its market share exceeds one half. Its growth rate is therefore in accordance with the increase in the population and the gross national product and is on average between 5 - 8 percent. But in the previous year, the growth in the sales turnover of the Company was overall as much as 9 percent because the Company had added new channels of distribution, such as souvenir markets for tourists, concurrently with the continued development of new products. At the same time, if in the pork processing industry at present a manufacturer requires products that meet standards and have longer shelf lives than usual, it needs to have technical knowhow, market network support, and importantly ample finance before entering this industry. These limitations of the entry in this industry are therefore regarded as entry barriers. However, they are not yet inclusive of entrance fees as passes to modern trade markets. Competitors or those who can be in this industry must be strong and ready regarding the factors as aforesaid. This is, in summary, a competition only among a few major competitors of the country.

## Strategies as a Leader

The methods the Company still employs are to add new products to the existing markets and to open new markets with the existing products continuously.

## 2. Processed Seafood

Processed seafood is another core business of the Company. Its sales turnover is in the proportion of 34 percent to the total sales turnover. The products are processed by the factory of Mahachai Food Processing Company Limited and marketed and distributed by the Company and SKK Food Company Limited ("SKKF"). SKKF markets and distributes the products to all fresh-food markets in the country, whereas SORKON markets and distributes them through other channels comprising major retail business operators and convenience stores, up-country agents, direct-to-consumer distributors, and foreign markets via importers abroad. The main importer countries include the United States of America, countries in the European Community, the United Kingdom, Israel, Japan, Korea and Hong Kong. The proportion of domestic sales to exports is 90 percent to 10 percent.

The processed seafood comprises fish balls, shrimp balls and squid balls. The products are graded according to quality to penetrate upper and lower markets. At present, the processed seafood of the Company comprises both products manufactured under the Company's own brands and OEM products. The processed seafood of the Company is produced under the brands "Tae Chiew", "Kwangchow", "Kowloon", "Mahachai", "Odeng", "Yaowaraj", "Hengheng", "Kaizen", "Hong Kong" and "Taipei".

In addition, chili pastes and dips are included in the seafood production line because their raw materials are based on shrimps and fish and they are produced at the factory of Mahachai Food Processing Company Limited which is a subsidiary. They are entirely produced under the Company's brands "Thai Doem" and "Thai Niyom". They are marketed and distributed by the Company through modern trade channels and are distributed by SKK Food Company Limited to fresh-food markets. The sales turnover of chili pastes and dips is in the proportion of approx. 4 percent, which is included in the processed seafood sales turnover.





This year the processed seafood industry was affected by the Government's measures to solve the problem of illegal fishing as a consequence of the European Commission pressing for final measures to be taken by the Government against fishing boats not being duly registered nor duly having fishing permits. If they were still allowed to continue fishing, the European Union would refuse to purchase seafood products from Thailand.

After the law had come into force, it was found that there were a small number of fishing boats. Since some parts of the boats were not able to sail out for fishing, the quantity of the catch did not suffice for the market's needs. Fish prices including prices of fish used for fish ball production were thereby made to rise. The cost of production also rose accordingly. The situation was combined with recessions in the overall economic condition, a decrease in the domestic purchasing power because of more care of consumers in their spending, severer competition on the market by competitors in the same industry, who, having previously made exports, turned for more domestic marketing, also on account of the dull exportation.

**The channels of distribution to which the Company attached importance this year include :**

- **Convenience Stores** : Because of a change in behaviors of consumers, especially those living in the capital, most of whom have smaller families in size or live alone in condominium units or apartments and lead their life in a rush, having no time to cook or not feeling comfortable with cooking, ready-to-eat foods of the Company serve as an answer for this group of consumers.

- **Wholesalers** : As it has become more popular for consumers to eat out, either by dining at restaurants or taking foods home, seafood products are offered for sale in bulk packs to food service groups that use them as raw materials in food shops or restaurants and offered through wholesale stores. The products so offered are of good quality and at low prices and have received good responses

- **Foreign Channels** : In the previous year, the penetration of markets in Italy, Australia and the People's Republic of China began.





### 3. Snacks Processed from Pork, Parts of Pork and Chicken

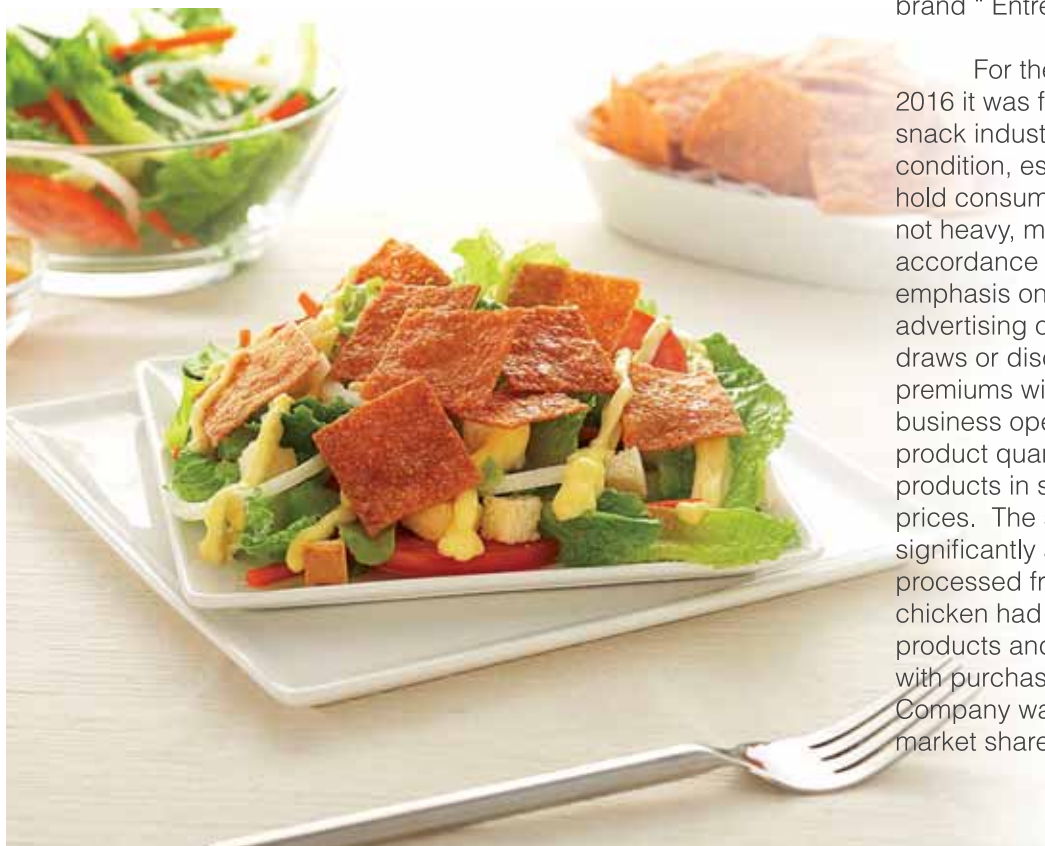


Snacks in the categories of pork, parts of pork and chicken, which comprise crispy sweet roast pork, seasoned roast pork and roast chicken with various flavors under the brand “Entrée” are still distributed by DKSH (Thailand) Company Limited only to other markets than convenience stores, whereas for the convenience stores the Company releases the products onto the market itself. At the same time, in the previous year the Company produced pork crackling for distribution under 2 brands in total, namely, “Entrée” and “S. Khonkaen”, and the product has been classified as a good accompaniment to alcoholic drinks for beer drinkers and those who like eating pork crackling with boat noodles.

#### Status of the Industry and Competition in 2016

The snacks processed from pork, parts of pork and chicken (meat based snacks) are produced solely by the Company under the brand “Entrée”.

For the status of the snack market, in 2016 it was found that the factor affecting the snack industry directly was still the economic condition, especially the expenditure on household consumptions, because snacks are light, not heavy, meals. Their sales turnover is in accordance with an economic condition. The emphasis on sales turnover stimulations by advertising or sales promotion by means of prize draws or discounts, redemptions, gives-away or premiums will not become successful. Most business operators offer discounts by increasing product quantities or focusing on sales of products in smaller-size packaging but at low prices. The snacks of the Company were not significantly affected because its snacks processed from pork, parts of pork and chicken had been placed as premium products and targeted only at customers with purchasing powers. Therefore, the Company was still able to maintain its market share.





#### 4. Ready-to-Eat and Ready-to-Heat Frozen Foods

Ready-to-eat and ready-to-heat frozen foods are produced by another factory of the Company, which is located in the Samut Sakhon Industrial Estate and was acquired as property by the Company from Narai Interfood Company Limited in 2009. The Company's products comprise frozen foods in the form of both main dishes and sweets, which are now produced most under OEM brands. The Company has the policy to adjust the mode of production by emphasizing on the manufacture of a greater quantity of products under its own brand and at present the Company has launched a product, the Yunnan pork leg, for distribution through general supermarkets. In addition, the ready-to-eat frozen food factory serves as a central kitchen to produce and prepare foods for distribution to food shops in the category of Quick Service Restaurant under the Company's brands "Zaap Classic" and "Yunnan".

#### Status of the Industry and Competition in 2016

At the beginning of 2016 and thereafter, the frozen food market began to change significantly for 3 main reasons, that is :

- 1) The prices of frozen foods are low when compared to those of noodles and rice with curry.
- 2) Frozen foods are available for sale at general convenience stores. They are easy to buy.
- 3) A state of hurry makes consumers adjust their conduct regarding consumption by consuming ready-to-eat or ready-to-heat foods. It could be perceived that the production turnover of the Company had increased by as much as 60 percent when compared with that of the previous year.





## 5. Food Shop in the Category of Quick Service Restaurant

The Company opened 5 restaurants for food in the category of spicy papaya salad (Somtam) and roasted chicken under the brand “Zaap Classic” in 2014 and they were increased to 14 restaurants in 2016, whereas 23 restaurants for stewed pork leg on rice under the brand “Yunnan” were opened in Thailand and they were increased to 32 restaurants outlets in 2015. However, 13 unsuccessful branches in total were closed because they were located in service stations and their sales turnovers were related to the number of cars using the services. In addition, the opening of branches in service stations was a trial project because the service stations could accord convenience regarding car parking space, but the drawback was that a service station with a small number of cars using the services would affect the operation results of the “Yunnan” stewed pork leg on rice restaurant. Therefore, the Company has adjusted its sales plan and strategy by aiming at setting up branches in community areas, starting in 2017 and thereafter.

Between 2014 and 2016, the Company opened “Yunnan” stewed pork leg on rice restaurants in 2 neighboring countries : three in Kampuchea and 2 in Lao People’s Democratic Republic. And another one was scheduled to be opened in Vientiane within the first quarter of 2017.



## Status of the Industry and Competition in 2016

Competition in this industry was deemed severe because apart from competing with Thai national business operators and Thai brands the Company had to compete with countless foreign operators, such as Japanese, Korean, American. However, the Company was deemed to succeed because it sells a popular food daily consumed by Thai people. When its quality, pricing and standards of service as well as cleanliness could be maintained by the Company, the brand could then become popular on the market without much expenditure on advertising.



## 6. Breeding Pig and Raised Pig Farm Business

The pig farm is another business which, apart from making available security in terms of raw materials to the factory, has made profits continuously for many years because S. Pasusat Company Limited has a good managerial and administrative team with great experience, which enables S. Pasusat Company Limited to manage and administrate its business efficiently and at low cost of production with high quality to the extent that it is recognized by the circle as a producer of nice carcasses of pigs which are easy for sale and sold at good prices.

S. Pasusat Company Limited has increased the number of female breeding pigs, from 2,000 in 2015 to 2,600 in 2016, and it still has the policy to increase the number to 5,000 within the next 5 years.



## Status of the Industry and Competition in 2016

The advantages that are regarded as strengths of “ S. Pasusat ” are:

- 1) Location : The farm is located in a valley with mountain ridges serving as walls for protection against access of diseases to the farm.
- 2) It has professional executives who are skilled in the management and administration of the farm for cost efficiency and competitiveness.
- 3) S. Pasusat has selected the Danish breed of pig, which is deemed to have a nice carcass, that is, it has low fat but has much red meat and is needed by the market. At present, pigs of “ S. Pasusat ” can be sold at a price higher than the market price or than the announced price by 1-2 Baht per kilogram.
- 4) For the reason in item 2) above, “ S. Pasusat ”, being able to reduce a waste from animal epidemics, has acquired a cost advantage and can make profits in a situation where the price of live pigs becomes low.
- 5) “ S. Pasusat ” has succeeded in solving pollution problems by producing biogas from pig dung for the generation of electricity for use in the farm by itself. The charges for public utilities in the category of electricity are thereby reduced significantly.

In summary, the Company still has strengths over general competitors. It is therefore in the status of comfortable competition.

## (2) Operating results and profitability

### 2.1 Revenue structure by product group

	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>1. Processed food made from pork (traditional food)</b>						
- Domestic	1,029.5	38.1	973.1	40.6	890.6	39.9
- Export	89.1	3.3	64.9	2.7	65.7	2.9
<b>Total</b>	<b>1,118.6</b>	<b>41.4</b>	<b>1,038</b>	<b>43.3</b>	<b>953.3</b>	<b>42.8</b>
<b>2. Processed seafood (fish ball)</b>						
- Domestic	812.6	30.1	746.0	31.2	678.7	30.4
- Export	71.4	2.6	79.1	3.3	77.6	3.5
<b>Total</b>	<b>884.0</b>	<b>32.7</b>	<b>825.1</b>	<b>34.5</b>	<b>756.2</b>	<b>33.9</b>
<b>3. Snack food from pork</b>						
- Domestic	97.2	3.6	98.0	4.1	94.0	4.2
- Export	2.2	0.1	3.0	0.1	4.2	0.2
<b>Total</b>	<b>99.4</b>	<b>3.7</b>	<b>101.0</b>	<b>4.2</b>	<b>98.2</b>	<b>4.4</b>
<b>4. RTE / RTH frozen food</b>						
- Domestic	176.8	6.5	108.3	4.5	152.0	6.8
- Export	6.8	0.3	4.6	0.2	0.3	0.0
<b>Total</b>	<b>183.6</b>	<b>6.8</b>	<b>112.9</b>	<b>4.7</b>	<b>152.3</b>	<b>6.8</b>
<b>5. Quick Service Restaurant (QSR)</b>	<b>129.7</b>	<b>4.8</b>	<b>99.3</b>	<b>4.1</b>	<b>62.8</b>	<b>2.8</b>
<b>6. Swine farming</b>	<b>224.3</b>	<b>8.3</b>	<b>202.2</b>	<b>8.4</b>	<b>191.7</b>	<b>8.6</b>
<b>Total</b>	<b>2,639.6</b>	<b>97.8</b>	<b>2,378.6</b>	<b>99.3</b>	<b>2,217.5</b>	<b>99.3</b>
<b>Other income</b>	<b>60.5</b>	<b>2.2</b>	<b>15.7</b>	<b>0.7</b>	<b>15.5</b>	<b>0.7</b>
<b>Grand Total</b>	<b>2,700.2</b>	<b>100</b>	<b>2,394.3</b>	<b>100.0</b>	<b>2,233.0</b>	<b>100.0</b>

## Marketing Policies

- The Company uses the **multi-brand strategies** to market its products in response to the needs of all groups of customers through every channel of distribution. All product brands of the Company are well known to consumers and the consumers have a somewhat high loyalty to the brands (brand loyalty). In addition, the multi-brand strategies result in the Company's efficiency in the distribution of products to various channels of distribution. Product prices and quality can be determined to be fit each market without impacts produced to each other.

- The Company attaches utmost importance to the **maintenance of product quality** in terms of food cleanliness, hygiene and taste by emphasizing on standard processes of production. Now the Company's factory located in the Samut Sakhon Industrial Estate has been HACCP, GMP, ISO9200 and BRC accredited.

- To maintain the **price setter** status, the Company has made continued developments to its production system by means of automation, which tends to grow higher in future, and by focusing on quantitative production. Thus, it has enabled itself to maintain its cost of production to an appropriate level and to become a price setter.

- **Channels of Distribution**

The current channels of distribution of the Company comprise :

(1) Direct distribution through large-size wholesalers or retailers, such as supermarkets, hypermarkets (modern trade) and convenience stores: at present the modern trade still serves as a main channel of distribution of products of the Company, especially native products and snacks, 80 percent of which are distributed via this channel;

(2) Distribution through retailers on fresh-food markets, which is an important channel of distribution of products, especially processed seafood, with approx. 55 percent of the fish ball being distributed via this channel;

(3) Distribution through distributors, which is a channel elected by the Company for the distribution of products in the category of snack made from pork;

(4) Direct distribution to industries or marketing agencies of the business sector providing food services (Hotel, Restaurant and Catering - HoReCa);

(5) Direct distribution to consumers via Company restaurants named “ Zaap Classic ” and “ Yunnan ”





## Production and Production Capacity

### (1) S. Khonkaen Foods Public Company Limited has three factories :

#### - Bangplee Factory

Located at 44/4 Village No. 13, Pracharat Uthit Road, Racha Thewa Sub-district, Bang Phli District, Samut Prakan Province

The capacity of fresh traditional Thai products (Fermented sausages, Vietnamese sausages, Thai sausages and Pork balls) : 7,000 tons per year

#### - Nakhon Pathom Factory

Located at 114 Village No. 8, Phai Lin Chang Road, Bo Phlap Sub-district, Mueang Nakhon Pathom District, Nakhon Pathom Province

The capacity of dried traditional products (Chinese sausages, Shredded pork and Crispy pork) : 800 tons per year

#### - Mahachai Factory

Located at 39/61 Village No. 2, Rama II Road, Samut Sakhon Industrial Estate, Bang Krajae Sub-district, Mueang Samut Sakhon, Samut Sakhon Province

The capacity of frozen foods (ready-to-eat and ready-to-heat) : 2,700 tons per year

### (2) Mahachai Food Processing Company Limited

Factory located at 71/11 Village No. 6, Tha Sai Sub-district, Mueang Samut Sakhon District, Samut Sakhon Province

The capacity of processed seafood : 15,000 tons per year

### (3) S. Pasusat Company Limited

Swine Farm located at 44 Village No. 2, Phaya Yen Sub-district, Pak Chong District, Nakhon Ratchasima Province 30320

The capacity swine reproduction : 2,600 swine breeders



## Procurement of Products

**Main raw materials used for the production of native foods, meat-based snacks and ready-to-eat frozen foods**, that is, pork and parts of pork, are purchased from trading companies that have passed the criteria for standards of quality of the Company and have been accredited by state agencies for standards of quality and safety. Other raw materials, that is, spices, seasoning agents and packaging, are purchased by the Company from domestic manufacturers. Some categories of raw material, such as fresh intestines, synthetic intestines, are ordered from abroad via domestic distributors.

For **the production of fish balls**, the Company generally orders fresh sea fish from domestic traders and it started importing frozen fresh fish in 2013 and continued to do so until 2016. The fish was imported directly from traders abroad and this is deemed to be another way of risk management regarding raw material quantities and prices.

For the **distribution of products**, the Company distributes its products to customers in countries in the European Community, which has high and strict standards of products and production processes. Certain categories of raw material brought into the production processes must be ordered only from sources certified by countries in the European Community. As a result, the procurement of those raw materials is limited to only the certified deliverers, who quote somewhat high prices when compared with those of other deliverers.

## Environmental Impacts

The processes for processing products of the Company mainly use electrical energy and cooking gas. Both the electricity and cooking gas are clean energies, which do not pollute the environment. In addition, the Company has installed a system generating biomass power based on pig dung for its own use in the pig farm at Pak Chong District. Apart from reducing its cost of product, the Company participates in conserving energies and the environment.

In addition, the Company has provided training on working environments and improved its premises and areas so that its employees stay in a good environment. It has also employed a private company which has been granted a lawful concession by the Sub-district Administrative Organization to remove garbage and refuse to be disposed of through a proper process. Water discharged from the factory has been treated by a wastewater treatment system and the wastewater quality has been controlled and examined so that it conforms to standards before being drained into a public canal.



## Risk Factors

### 1. Problem Regarding Raw Materials of Processed Pork Business

**In the past**, the risk factor of the Company lied in a lack of raw materials in the category of pork, which would affect the cost and result in a loss of sales opportunity and finally produce impacts on operation results of the Company.

**But at present**, the pricing has been altered because the Company had expanded its pig farm in a higher proportion when compared to the quantity required for use. The problem has then been solved or reduced. On the other hand, another production factor which might affect the operation results was an increasingly day-by-day lack of labor. But now it has become insignificant because the Company has replaced men's labor with machinery and will implement the Thailand 4.0 strategy continuously.

### 2. Epidemics among Pigs

Most farms in Nakhon Pathom and Ratchaburi Provinces, which are main sources of pork production of the country, face a problem regarding the foot and mouth disease. However, the farm of a subsidiary of the Company is located in a plateau and has a farm management process at international standard level to the extent that it has been registered as a disease-free farm by the Department of Livestock Development. The threatening harm has then reduced fairly a lot and no problem regarding epidemics has appeared for consecutive years.

### 3. Risk in Processed Seafood Business

A lack of raw materials in the category of seafood still continues worldwide and its development has become more severe because the quantity of aquatic animals has decreased and each country has strict measures against fishing business operators. As a result, a problem has arisen since the quantity of raw materials to be fed into factories is not sufficient. However, the Company has surveyed sources of raw materials in Myanmar and it tends to set up a base to purchase raw materials in Myanmar where they are now still in a great quantity and can be purchased at reasonable prices. If the negotiation becomes successful, the problem will then be solved or reduced.

### 4. Risk Regarding Corruption

The Company carries on the business of manufacturing and distributing processed food products both domestically and internationally,

with 3 factories located in Samut Prakan, Nakhon Pathom and Samut Sakhon Provinces, and the business of food shops in the category of Quick Service Restaurant. It is thereby required to communicate with both local and foreign government agencies and accordingly such communication may result in a risk regarding corruption, such as payment of facilitation charges, payment of moneys to or calls for moneys by government officials in the case where the Company might have acted improperly, etc., or a risk that may result from dishonest acts relating to cash or property, purchases or procurement, payment of salaries or foreign labor fees, revenues and expenses, and the information technology system. The Company has set up a risk management committee to make assessments and analyses and formulate measures to manage the risk in terms of both business and corruption and has also made available an efficient and effective system of internal control and audit.

In addition, the Company has participated in the Private Sector Collective Action Coalition against Corruption Program to declare its intent and determination to fight against all forms of corruption and has prepared an anti-corruption policy, determining responsibilities and guidelines for appropriate action against corruption in all activities, and communicated the policy to directors, management, and both internal and external stakeholders so that it serves as guidelines for mutual practice of business with transparency.

### 5. Risk from the Majority Shareholder's Ability to Control Resolutions of Meetings of Shareholders and Have the Power to Manage the Company

The shareholding of the Rujirasopon family, majority shareholder of the Company, which represents 51.58 percent of the issued and paid-up capital of the Company, has resulted in the Rujirasopon family becoming able to have the power to manage the Company and appoint agents directors of the Company as well as to gather up majority votes on resolutions of a meeting of shareholders on various matters that require a majority of the votes of the shareholders present and entitled to vote. However, the Rujirasopon family has no right to vote on a resolution in which they have interests. and for the transparency, accountability and balance of the management and conduct of business, the Company has appointed third persons as independent directors and members of the Audit and Corporate Governance Committee to engage in supervisory activities and the appointment is in accordance with the principles of good corporate governance under the guidelines of the Stock Exchange of Thailand.







## Significant Changes and Developments

In 2016, the significant changes of the Company in its business operations were as follows:

### 1. S. Khonkaen Foods Public Company Limited

- The Quick Service Restaurant business made an expansion by increasing the restaurants of foods in the category of spicy papaya salad (Somtam) and roasted chicken under the brand name " Zaap Classic " from 6 branches to 14 branches.

- Two more " Yunnan " restaurants for stewed pork leg on rice were opened in Phnom Penh, Kampuchea.

### 2. Mahachai Food Processing Company Limited (Subsidiary)

The production capacity of the fish ball factory was increased from 9,000 tons / year to 15,000 tons / year to completion and the use of the new building and machinery commenced.

### 3. S. Pasusat Company Limited (Subsidiary)

Year 2016 was regarded as another year during which S. Pasusat Company Limited (a subsidiary) made the utmost development to its pig farm operation by adding another unit to the female breeding pig facility and 600 female breeding pigs could be raised in addition to the 2,000 ones then existing. As a result, there are now 2,600 female breeding pigs in total. Also, the Company attaches continued importance to

the development of pig breeds for their quality. By this cause, the Company imported breeding pigs from Denmark for an improvement to its pig breeds that would enable the S. Pasusat farm to raise pigs with carcass quality being consistent with the market requirements, such as a lot of red meat, little fat, nice streaky pork, etc., without using pig carcass conditioning agents but using only the method of pig breed improvement instead. The pig breed from Denmark would be fertile, require little feed and grow rapidly.

By reason in the first paragraph that S. Pasusat Company Limited imported an excellent breed of pig from Denmark, S. Pasusat was thereby enabled to improve the productivity of pig delivery, which increased from 10.2 piglets per sty to 12.5 piglets per sty or at the rate of 22 - 23 percent per annum.

In addition, the farm of S. Pasusat was registered as a farm free of the pig mouth and foot disease by the Department of Livestock Development because it was recognized as an environment-friendly farm that eliminated the problem of wastewater discharged from the farm, which wastewater was, however, brought for the production of digester gas or biogas for the generation of electricity for its own use within the farm. This reduced the pollutions and saved the charges for electricity for pork production of the Company.





## Awards of Pride

### 1. “ Superbrands ” Award

Another award of pride the Company has won is the “ Superbrands ” Award, which the Company has won for 2 consecutive years, that is, in 2015 and 2016, following the vote for the “ Superbrands ” by global organizations and the survey of consumers, marketing men, brand builders, public relations experts, and member groups of the Superbrands Thailand based on 3 main criteria for selection, that is, brand quality, brand affinity and brand personality. Winners of this award are regarded as ones who have succeeded in building brands for both local and international reputation. And the benefit the Company has derived from the winning of this award is that it has been permitted to print the sign and logo of the Superbrands Award onto its product packaging alongside the trademark “ S. Khonkaen ”.

This mark has originated from England and become widespread toward 93 countries worldwide. It is recognized by consumers in the member-countries.

### 2. “ ESG 100 (Environment Social Governance 100) ” Award

The Company has been selected to be one of the 100 listed companies that have won the “ ESG 100 (Environment Social Governance 100) ” Award for outstanding actions in terms of the environment, society and good governance. The evaluation was based on information regarding the sustainability of securities of 621 companies listed on the Stock Exchange of Thailand with reference made to documented reports or citations of information according to sources and intervals of publicity by the Company in its Annual Registration Statement (Form 56-1) under the Capital Market Supervisory Board's Notification re Rules, Conditions and Procedures for Reporting on Disclosures of Information about the Financial Standing and Operation Results of Companies Issuing Securities, as well as in its annual report, sustainability report and information on actions relating to sustainability development. The Company is therefore deemed to be one of the companies having listed securities that are interesting. The preliminary qualifications of its selection are :

- (1) The Company's operations resulted in profits for two latest consecutive fiscal years;
- (2) The Company is free from the commission of offences: in this regard, the Company or its Board of Directors or high-ranking executives must not be indicted or fined by the Office of the Securities and Exchange Commission (S.E.C.) in the year of its evaluation;
- (3) The distribution of the Company's shares for minority shareholdings (Free Float) is as prescribed by the Stock Exchange of Thailand.



## General Information and Other Information

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

<b>Head Office Address</b>	: No. 259/13 Pridi Banomyong 13 Alley, Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Manufacturer and distributor of meat processed.
<b>Registration No.</b>	: 0107537001811
<b>Telephone</b>	: (02) 339 - 3999
<b>Fax</b>	: (02) 339 - 3990
<b>Website</b>	: <a href="http://www.sorkon.co.th">http://www.sorkon.co.th</a>
<b>E-mail</b>	: <a href="mailto:president@sorkon.co.th">president@sorkon.co.th</a>
<b>Registered Capital</b>	: Baht 323,400,000, fully paid-up divided into 32,340,000 shares
<b>Issuance</b>	: 32,340,000 shares

### (2) Subsidiaries or Affiliated Companies with more than 10% shareholdings of the total shares

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

<b>Head Office Address</b>	: 1st Floor, No. 259/17 Pridi Banomyong 13 Alley, Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Wholesale and retail of S. Khonkaen Foods Public Company Limited and Mahachai Food Processing Company Limited's products, mainly to the wet market channel.
<b>Telephone</b>	: (02) 339 - 3999
<b>Fax</b>	: (02) 339 - 3990
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: Baht 120,000,000, fully paid-up
<b>Total Share</b>	: 24,000,000 shares
<b>% of Shareholding</b>	: 99.68%

#### 2.2 Mahachai Food Processing Company Limited

<b>Head Office Address</b>	: No. 259/13 Pridi Banomyong 13 Alley, Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Manufacturer of processed seafood i.e. fish balls, shrimp balls
<b>Telephone</b>	: (02) 339 - 3999
<b>Fax</b>	: (02) 339 - 3990
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: Baht 85,000,000, fully paid-up
<b>Total Share</b>	: 17,000,000 shares
<b>% of Shareholding</b>	: 99.33%

### 2.3 S. Pasusat Company Limited

<b>Head Office Address</b>	: No. 44 Village No. 2, Phaya Yen Sub-district, Pak Chong District, Nakhon Rajsima Province 30320
	: Swine farming
<b>Type of Business</b>	: (02) 339 - 3999
<b>Telephone</b>	: (02) 339 – 3990
<b>Fax</b>	: Ordinary share
<b>Type to Share</b>	: Baht 45,000,000, fully paid-up
<b>Registered Capital</b>	: 4,500,000 shares
<b>Total Share</b>	: 100%
<b>% of Shareholding</b>	

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

<b>Head Office Address</b>	: Bolderweg 45, 1332 BA Almere, The Netherlands
<b>Type of Business</b>	: Distributor of the Company's traditional Thai foods products in EU countries and others
<b>Telephone</b>	: +31 616485383
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: EUR 100 (approx. Baht 4,268), fully paid-up
<b>% of Shareholding</b>	: 100%

### 2.5 S.Training Center Company Limited

<b>Head Office Address</b>	: 2nd Floor, No. 259/13 Pridi Banomyong 13 Alley, Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Computer training provision and other training services to the public or group of companies or business partners.
<b>Telephone</b>	: (02) 339 – 3999
<b>Fax</b>	: (02) 339 – 3990
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: Baht 1,000,000 with 50% paid-up or Baht 500,000 (Baht five hundred thousand)
<b>Total Share</b>	: 10,000 shares
<b>% of Shareholding</b>	: 99.96%

## 2.6 Thai Home Food (Bangkok) Company Limited

<b>Head Office Address</b>	: No. 257/5 Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Fast foods; noodles, rice and curry, stewed pork leg on rice, barbecued pork in sauce on rice, snacks, beverage and souvenirs.
<b>Telephone</b>	: (02) 339 – 3999
<b>Fax</b>	: (02) 339 – 3990
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: Baht 10,000,000 with 50% paid-up or Baht 5,000,000 (Baht five million)
<b>Total Share</b>	: 100,000 shares
<b>% of Shareholding</b>	: 79.998%

## 2.7 3D Food and Beverage Company Limited

<b>Head Office Address</b>	: No. 259/13 Pridi Banomyong 13 Alley, Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Food and beverage services for restaurants, food shops and food and beverage delivery.
<b>Telephone</b>	: (02) 339 - 3999
<b>Fax</b>	: (02) 339 – 3990
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: Baht 10,000,000, fully paid-up
<b>Total Share</b>	: 100,000 shares
<b>% of Shareholding</b>	: 99.996%

## 2.8 Thai Home Food Company Limited

<b>Head Office Address</b>	: 2nd Floor, No. 259/17 Pridi Banomyong 13 Alley, Sukhumvit 71 (Pridi Banomyong) Road, Phra Khanong Nuea Sub-district, Vadhana District, Bangkok Metropolis 10110
<b>Type of Business</b>	: Food Center
<b>Telephone</b>	: (02) 339 - 3999
<b>Fax</b>	: (02) 339 – 3990
<b>Type to Share</b>	: Ordinary share
<b>Registered Capital</b>	: Baht 14,700,000 with fully paid-up
<b>Total Share</b>	: 1,470,000 shares
<b>% of Shareholding</b>	: 13.33%



### (3) Other References

#### 3.1 Securities Registrar

**Name** : Thailand Securities Depository Company Limited  
**Address** : No. 93 Rachadapisek Road, Din Daeng Sub-district, Din Daeng District, Bangkok Metropolis 10400  
**Telephone** : (02) 009 - 9000  
**Fax** : (02) 009 – 9991

#### 3.2 Auditor

**3.2.1 Name** : EY Office Limited  
**Address** : 33rd Floor, Lake Rajada Office Complex  
No. 193/136 - 137 Rajadapisek Road, Klongtoey, Bangkok Metropolis 10110  
**Telephone** : (02) 264 - 9090  
**Fax** : (02) 264 - 0789  
**Auditors** : 1. Mr. Sophon Permsirivallop (CPA No. 3182) and / or  
2. Miss Runghana Lertsuwankul (CPA No. 3516) and / or  
3. Miss Pimjai Manitkajohnkit (CPA No. 4521) and / or  
4. Mr. Chayapol Suppasedtanon (CPA No. 3972)

**3.2.2 Name** : Miss Wipornrat Triwatcharanont (CPA No. 10920)  
**Address** : No. 907/2 Piboonupatam Alley, Suthisarn Road, Huay Kwang Sub-district, Huay Kwang District, Bangkok Metropolis 10310  
**Telephone** : (086) 419 - 5900  
**Email** : Faipancy@gmail.com

#### 3.3 Tax Consultant

**Name** : Tax Specialist Company Limited  
**Address** : No. 168/3 Banklangkrung Office Park, Ladprao 71 Alley, Nakniwas Road, Ladprao Sub-district, Ladprao District, Bangkok Metropolis 10230  
**Telephone** : (02) 514 - 4334  
**Fax** : (02) 514 - 4424

#### 3.4 Legal Advisor

**Name** : Sahakarn Law Office Company Limited  
**Address** : No. 16, 6 Alley, Tesabalnimitr Nua Road, Ladyao Sub-district, Jatuchak District, Bangkok Metropolis 10900  
**Telephone** : (02) 954 - 3090 - 4  
**Fax** : (02) 953 - 8225

## Top Ten Shareholders

### A. Top ten shareholders as of 30th December 2016

No.	Name of Shareholders	No. of Shares Held	% of Shareholding
1.	Thailand Securities Depository (Thailand) Company Limited (For Depositors)	18,314,270	56.63
2.	Mr. Charoen Rujirasopon	7,414,058	22.925
3.	Mrs. Niramon Ruirasopon	3,620,000	11.194
4.	Thailand Securities Depository Company Limited For Depositors	1,694,762	5.240
5.	Mr. Songkiat Rujirasopon	1,121,266	3.467
6.	Mr. Luan Saengthong	16,000	0.049
7.	Miss Wilairat Chanrasami	13,333	0.041
8.	Mrs. Wilaisiri Kanokpreechawut	12,776	0.040
9.	Mrs. Boonchong Limudomporn	12,413	0.038
10.	Ms. Siu Ling Tse	10,000	0.031

**Note :** Information from Thailand Securities Depository Company Limited

## B. Group of Major Shareholders as of 13th May 2016

Group of Major Shareholders	No. of Shares Held	% of Shareholding
<b>1 “Rujirasopon” Family</b>	<b>17,794,123</b>	<b>55.02%</b>
Mr. Charoen Rujirasopon	9,898,186	30.61%
Mrs. Niramon Rujirasopon	4,507,955	13.94%
Mr. Jarunpoj Rujirasopon	1,133,358	3.50%
Mr. Jaraspon Rujirasopon	1,133,358	3.50%
Mr. Songkiat Rujirasopon	1,121,266	3.47%
<b>2. “Pichetwanitchoke” Family</b>	<b>2,174,007</b>	<b>6.72%</b>
Mr. Thanathip Pichetwanitchoke	939,608	2.91%
Mr. Suwit Pichetwanitchoke	661,066	2.04%
Miss Wintanee Pichetwanitchoke	482,933	1.49%
Mrs. Vipaporn Pichetwanitchoke	90,400	0.28%
<b>3.“Charnsetthikul” Family</b>	<b>1,659,431</b>	<b>5.13%</b>
Mr. Ayut Charnsetthikul	1,653,965	5.11%
Mr. Ayut Charnsetthikul for Master Rathawitch Charnsetthikul	2,800	0.01%
Mr. Ayut Charnsetthikul for Miss.Pichsinee Charnsetthikul	2,666	0.01%
<b>4. KBL EUROPEAN PRIVATE BANKERS S.A.</b>	<b>1,389,657</b>	<b>4.30%</b>
<b>5. Group of “Denalee Prestige Asset Management Co., Ltd.”</b>	<b>1,134,789</b>	<b>3.51%</b>
Denalee Prestige Asset Management Co., Ltd., shares held in trust for Mr. Sathit Withayakorn	801,030	2.48%
Denalee Prestige Asset Management Co., Ltd., shares held in trust for Miss Pikulkaew Krairuek	333,759	1.03%
<b>6. Miss Orapan Assamongkol</b>	<b>1,043,666</b>	<b>3.23%</b>
<b>7.Thai N.V.D.R. Company Limited</b>	<b>751,952</b>	<b>2.33%</b>
<b>8. “Boonsawaeng” Family</b>	<b>515,733</b>	<b>1.59%</b>
Mr. Anurak Boonsawaeng	352,000	1.09%
Mrs. Piyaat Boonsawaeng	163,733	0.51%
<b>9. Mrs. Arunee Mahathorn</b>	<b>448,133</b>	<b>1.39%</b>
<b>10. “Kanokpreechawut” Family</b>	<b>388,632</b>	<b>1.20%</b>
Mr. Ruengkitt Kanokpreechawut	357,723	1.11%
Mrs. Wilaisiri Kanokpreechawut	12,776	0.04%
Mr. Thanasit Kanokpreechawut	10,133	0.03%
Miss Sukarnda Kanokpreechawut	8,000	0.02%
<b>Total</b>	<b>27,300,123</b>	<b>84.42%</b>



Shareholding of Directors of S. Khonkaen Foods Public Company Limited on 2015 and 2016					
No.	Name	No. of Shares Held		No. of Shares	Remarks
		31/12/2015	31/12/2016	Increase (Decrease)	
1	Mr. Charoen Rujirasopon	7,414,058	9,898,186	2,484,128	-
	Spouse	4,327,349	4,507,955	180,606	Mrs. Niramon Rujirasopon (Spouse)
	Minor Children	-	-	-	-
2	Mrs. Niramon Rujirasopon	4,327,349	4,507,955	180,606	-
	Spouse	7,414,058	9,898,186	2,484,128	Mr. Charoen Rujirasopon (Spouse)
	Minor Children	-	-	-	-
3	Mr. Jarunpoj Rujirasopon	609,367	1,142,258	532,891	-
	Spouse and	-	-	-	-
	Minor Children	-	-	-	-
4	Mr. Jaraspon Rujirasopon	138,586	1,133,358	994,772	-
	Spouse and	-	-	-	-
	Minor Children	-	-	-	-
Shareholding of Executives of S. Khonkaen Foods Public Company Limited during 2015 and 2016					
1	Mr. Charoen Rujirasopon	7,414,058	9,898,186	2,484,128	-
	Spouse	4,327,349	4,507,955	180,606	Mrs. Niramon Rujirasopon (Spouse)
	Minor Children	-	-	-	-
2	Mrs. Niramon Rujirasopon	4,327,349	4,507,955	180,606	-
	Spouse	7,414,058	9,898,186	2,484,128	Mr. Charoen Rujirasopon (Spouse)
	Minor Children	-	-	-	-
3	Mr. Jarunpoj Rujirasopon	609,367	1,142,258	532,891	-
	Spouse and	-	-	-	-
	Minor Children	-	-	-	-
4	Mr. Jaraspon Rujirasopon	138,586	1,133,358	994,772	-
	Spouse and	-	-	-	-
	Minor Children	-	-	-	-
5	Mrs. Narinthorn Asawapanyawongse	-	-	-	-
	Spouse and Minor Children	-	-	-	-
		-	-	-	-
Shareholding of Executives of S. Khonkaen Foods Public Company Limited who resigned in 2016					
1	Mr. Anucha Chawakijkosol	-	-	-	Resigned from the Company, effective 6th July 2016
	Spouse and	-	-	-	
	Minor Children	-	-	-	

## Dividends Payment Policy

### 1. S. Khonkaen Foods Public Company Limited

**Dividend Payment Policy** : Not less than 50 percent of the net profit after income tax, unless there is a cause of necessity.

### 2. 7 Subsidiaries are :

- (1) S. Pasusat Company Limited
- (2) S.K.K. Food Company Limited
- (3) Mahachai Food Processing Company Limited
- (4) Thai Home Food (Bangkok) Company Limited
- (5) S. Training Center Company Limited
- (6) 3D Food and Beverage Company Limited
- (7) S. Khonkaen Foods (Netherlands) B.V.

**Payment of dividend** is subject to business profits and also availability of Company's cash flow.

**Table Shown Dividend Paid in the Past 5 Years**

S. Khonkaen Foods Public Company Limited	YEAR				
	2016	2015	2014	2013	2012
Net profit per share (Baht / Share)	3.33	3.93	1.78	4.69	3.95
Dividend per share (Baht / Share)	2.75	2.75	2.43	2.43	3.00
Dividend per net profit (%)	82.3	70	136.5	51.8	75.9

## The Board of Directors



**Mr. Somchai Sakulsurat**  
Chairman of the Board of Directors  
and Independent Director



**Mr. Charoen Rujirasopon**  
Director and Chief Executive Officer



**Mr. Prasarn Marukpitak**  
Independent Director and Audit and  
Corporate Governance Committee Member



**Mr. Worapon Lopansri**  
Independent Director and Chairman of the  
Audit and Corporate Governance Committee



**Mr. Chusak Vijakkhana**  
Independent Director and Audit and  
Corporate Governance Committee Member



**Miss Panjama Vipamas**  
Director



**Mrs. Niramon Rujirasopon**  
Executive Director



**Mrs. Siriluck Chaiwatanapa**  
Director



**Mr. Charoenphan Phantumongkol**  
Independent Director



**Mr. Jaraspon Rujirasopon**  
Executive Director



**Mr. Jarunpoj Rujirasopon**  
Executive Director



**Mr. Thanakrit Rujirasopon**  
Executive Director



## Managerial Structure

1. The managerial structure of the Company comprises a Board of Directors and 4 committees.

### 1.1 The Board of Directors

As of 31st December 2016, the Company's Directors consisted of 12 Directors as follows,-

	Name	Position
1)	Mr. Somchai Sakulsurarat	Chairman of the Board of Directors and Independent Director
2)	Mr. Charoen Rujirasopon	Director and Chief Executive Officer
3)	Mr. Worapon Lopansri	Independent Director
4)	Mr. Prasarn Marukpitak	Independent Director
5)	Mr. Chusak Vijakkhana	Independent Director
6)	Mr. Charoenphan Phantumongkol	Independent Director
7)	Miss Panchama Vipamas	Director
8)	Mrs. Siriluck Chaiwatanaprapa	Director
9)	Mrs. Niramom Rujirasopon	Executive Director
10)	Mr. Jaraspon Rujirasopon	Executive Director
11)	Mr. Jarunpoj Rujirasopon	Executive Director
12)	Mr. Thanakrit Rujirasopon	Executive Director

### Authority of Directors

" Mr. Charoen Rujirasopon co-signs his name with Mrs. Niramom Rujirasopon and affixes the seal of the Company; or either Mr. Charoen Rujirasopon or Mrs. Niramom Rujirasopon co-signs his/her name with another director, namely, Mr. Jaraspon Rujirasopon or Mr. Thanakrit Rujirasopon or Mr. Jarunpoj Rujirasopon, thereby constituting two signatures, and affixes the seal of the Company.

### Approval Authority of the Company's Board of Directors

The authority of the Board of Directors will be authorized to approve

- the objectives related to the company's business;
- the company's regulations and
- matters to be assigned by the company's shareholders.

### Meetings of Board of Directors of the Company

The Board of Directors has a schedule for at least 6 meetings a year and for such special meetings as required. In 2016, seven meetings in total were held. The directors present at the meetings were as follows:

Name	Position	Number of Attending / Number of Meeting
1. Mr. Somchai Sakulsurarat	Chairman of the Board and Independent Director	7/7
2. Mr. Charoen Rujirasopon	Director and Chief Executive Officer	7/7
3. Mr. Worapon Lopansri	Independent Director and Chairman of the Audit and Corporate Governance Committee	7/7
4. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee Member	7/7
5. Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee Member	7/7
6. Mr. Charoenphan Phantumongkol	Independent Director and Chairman of the Recruitment and Compensation on Remuneration Committee	7/7
7. Miss Panchama Vipamas	Director	6/7
8. Mrs. Niramon Rujirasopon	Executive Director	5/7
9. Mr. Jaraspon Rujirasopon	Executive Director	6/7
10. Mr. Jarunpoj Rujirasopon	Executive Director	7/7
11. Mr. Thanakrit Rujirasopon	Executive Director	6/7
12. Mrs. Siriluck Chaiwatanaprapa	Director	4/4*

(\* Starting the office of Director on 13th May 2016)

### Meetings of Non-executive Directors of the Company

In 2016, Non-executive Directors held 3 meetings in total. The directors present at the meetings were as follows:

Name	Position	Number of Attending / Number of Meeting
1. Mr. Somchai Sakulsurarat	Chairman of the Board of Directors and Independent Director	3/3
2. Mr. Worapon Lopansri	Independent Director and Chairman of the Audit and Corporate Governance Committee	3/3
3. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee Member	3/3
4. Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee Member and Recruitment and Compensation on Remuneration Committee Member	3/3
5. Mr. Charoenphan Phantumongkol	Independent Director and Chairman of the Recruitment and Compensation on Remuneration Committee	3/3
6. Miss Panchama Vipamas	Director	3/3

The Company Secretary is also present at each Board of Directors meeting. She takes minutes of the meeting and submits them for adoption to the subsequent meeting and also files information or documents related to meetings.

### Independent Directors

As of 31st December 2016, the Company's Independent Directors consisted of 5 Directors as follows:-

- |                                  |   |
|----------------------------------|---|
| 1) Mr. Somchai Sakulsurarat      | Independent Director and Chairman of the Board                                    |
| 2) Mr. Worapon Lopansri          | Independent Director and Chairman of the Audit and Corporate Governance Committee |
| 3) Mr. Prasarn Marukpitak        | Independent Director and Audit and Corporate Governance Committee Member          |
| 4) Mr. Chusak Vijakkhana         | Independent Director and Audit and Corporate Governance Committee Member          |
| 5) Mr. Charoenphan Phantumongkol | Independent Director  |



## Committees

### 1) Audit and Corporate Governance Committee

Audit and Corporate Governance Directors consisted of 3 Directors as follows.-

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

Mr. Worapon Lopansri, Chairman of the Audit and Corporate Governance Committee, has had knowledge of and experience in accounting, finance and audit for 30 years and conducted, as the Chairman of the Audit and Corporate Governance Committee, a review of the financial statements in 2016.

The Audit and Corporate Governance Committee held 6 meetings in total with management, the internal audit unit and the auditor in 2016 to deliver a progress report on the performance of its duty and make recommendations to the Board of Directors on subjects it deems reasonable regularly on a quarterly basis. The members present at the meetings were as follows:

Name	Position	Number of Attending / Number of Meeting
1. Mr. Worapon Lopansri	Chairman of the Audit and Corporate Governance Committee	6/6
2. Mr. Prasarn Marukpitak	Audit and Corporate Governance Committee Member	6/6
3. Mr. Chusak Vijakkhana	Audit and Corporate Governance Committee Member	6/6

### 2) Recruitment and Compensation on Remuneration Committee

Recruitment and Compensation on Remuneration Committee consisted of 3 Directors, the Chairman and 1 of the committee member were independent director as follows.-

- 1) Mr. Charoenphan Phantumongkol Chairman of the Recruitment and Compensation on Remuneration Committee
- 2) Mr. Chusak Vijakkhana Recruitment and Compensation on Remuneration Committee Member
- 3) Mr. Charoen Rujirasopon Recruitment and Compensation on Remuneration Committee Member

In 2016, Recruitment and Compensation on Remuneration Committee held 2 meetings in total. The members present at the meetings were as follows:

Name	Position	Number of Attending / Number of Meeting
1. Mr. Charoenphan Phantumongkol	Chairman of the Recruitment and Compensation on Remuneration Committee and Independent Committee	2/2
2. Mr. Chusak Vijakkhana	Recruitment and Compensation on Remuneration Committee Member and Independent Committee	2/2
3. Mr. Charoen Rujirasopon	Recruitment and Compensation on Remuneration Committee Member	2/2

### 3) Risk Management Sub-committee

On 13th May 2016, the Board of Directors appointed a new committee for risk management comprising company directors and high-ranking executives concerned as follows :

- |                                    |   |
|------------------------------------|---|
| 1) Mrs. Narinthorn Aswapanyawongse | Chairman of the Risk Management Sub-committee |
| 2) Ms. Panchama Vipamas            | Risk Management Sub-committee                 |
| 3) Mr. Jarunpoj Rujirasopon        | Risk Management Sub-committee                 |
| 4) Mr. Anucha Chawakijkosol *      | Risk Management Sub-committee                 |

**Note :** Mr. Anucha Chawakijkosol resigned from the Company, effective on 6th July 2016.

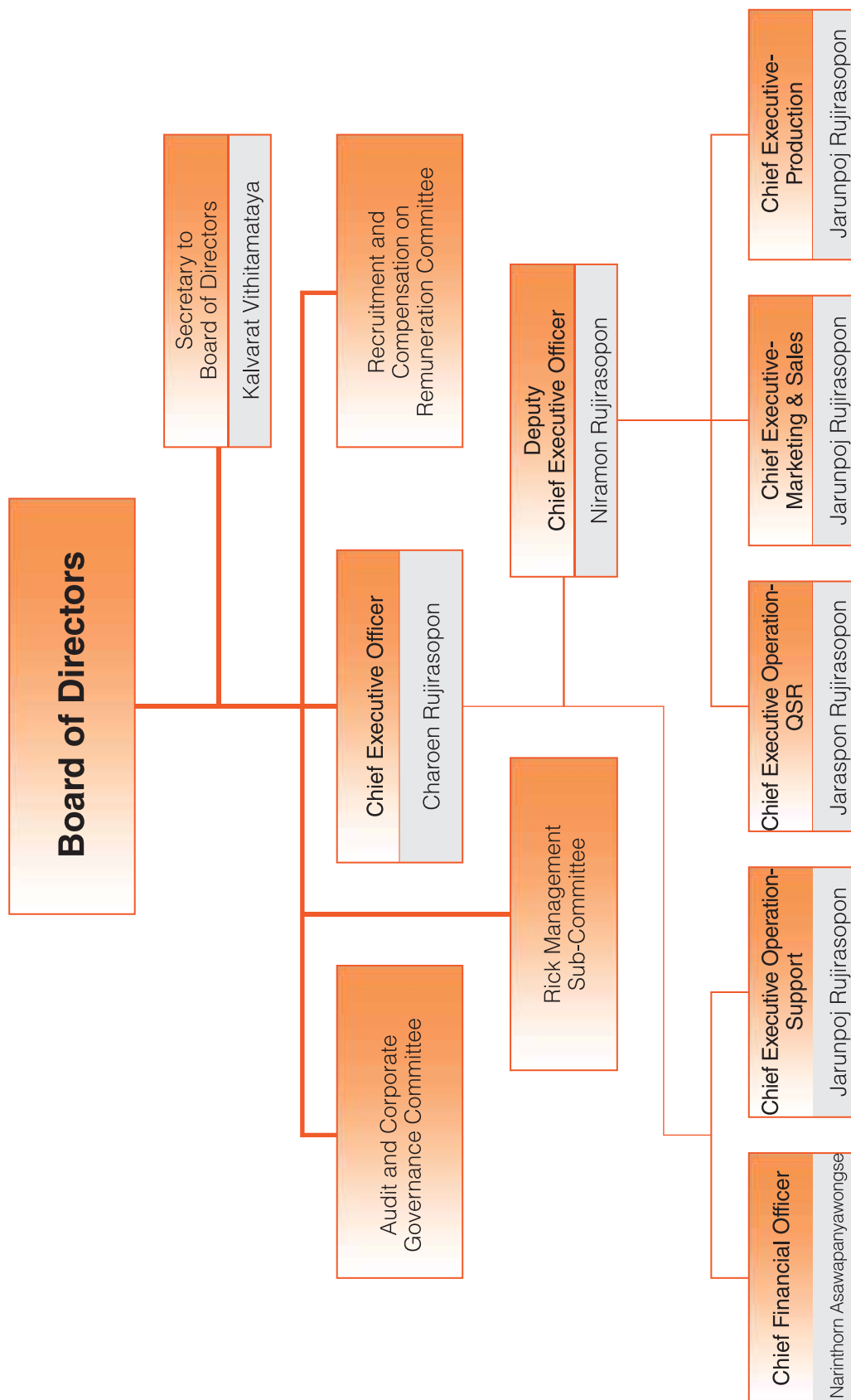
### 4) The Executive Directors

The Executive Directors and the executive of the company consisted of 6 Executive Directors and 1 executive, 7 in total as follows.-

- |                                    |  |
|------------------------------------|--|
| 1) Mr. Charoen Rujirasopon         | Chief Executive Director and<br>Chief Executive Officer  |
| 2) Mrs. Niramorn Rujirasopon       | Executive Director and<br>Deputy Chief Executive Officer   |
| 3) Mr. Jarunpoj Rujirasopon        | Executive Director and<br>- Chief Executive Operation - Support<br>- Chief Executive - Production<br>- Chief Executive – Marketing and Sales |
| 4) Mr. Jarasopon Rujirasopon       | Executive Director and<br>Chief Executive Operation – QSR  |
| 5) Mr. Thanakrit Rujirasopon       | Executive Director   |
| 6) Mrs. Siriluck Chaiwatanaprapa   | Director   |
| 7) Mrs. Narinthorn Aswapanyawongse | Chief Financial Officer  |

### The changes in the executives during 2016 were as follows:

- 1. Mr. Luecha Pisitthakarn**, who assumed the office of “ Chief Financial Officer ” on 16th December 2015 and resigned from office on 26th January 2016;
- 2. Mr. Anucha Chawakijkosol**  
who retained the office of “ Acting Vice President ”, Office of Accounting and Finance, since 26th January 2016 and resigned from office on 6th July 2016;
- 3. Mrs. Nalinthorn Asawapanyawongse**  
who has retained the office of “ Chief Financial Officer ” on and after 1st April 2016
- 4. Mr. Jarunpoj Rujirasopon**  
whose office of the “ Acting Vice President ”, Office of Human Resources and Administration, has ended since 15th February 2016, whereupon Miss Purida Kritveroj has succeeded him as Acting Vice President, Office of Human Resources and Administration, since 16th February 2016.





## Evaluation of the Board of Directors' Performance

The Board of Directors shall evaluate its own performance as individual and quorum on an annual basis in order to assess and improve the directors' own fiduciary duties and their compliance with corporate governance policy and good practice. The process is as follows :

- 1) The Recruitment and Compensation on Remuneration Committee reviews the evaluation form to ensure that it is correct and complete and is in accordance with the criteria stipulated by the Audit and Corporate Governance Committee;
- 2) The Board Secretary will propose the form to directors every year, then gather and report summarizes the result of the evaluation of the efficiency in the Board's performance for consideration.

**1. Form of Self - evaluation of a Separate Board of Directors**, divided into 6 headings, that is

1. Structure and Qualifications of the Board
2. Roles, Duties and Responsibilities of the Board
3. Board Meetings
4. Performance of the Board's Duties
5. Relationship with Management
6. Self-development of Directors and Development of Executives

The average score resulting from the evaluation of the Board's performance in 2016 is 87.04 percent.

**2. Self-evaluation Form of a Separate Committee**, divided into 3 headings, that is :

1. Structure and Qualifications of the Committee, which are appropriate and result in efficiency in the work of the Committee.
2. Committee Meetings, at which the following business was transacted so that the Committee performed its duties efficiently at the meetings.
3. Roles, Duties and Responsibilities, to which the Committee attached importance and which the Committee spent time to consider, review and implement sufficiently.

The average score resulting from the evaluation of the Committee's performance in 2016 is 74.70 percent.

**3. Form of Self-evaluation of Individual Members of the Boards and of the Committees**, divided into 3 headings, that is:

1. Structure and Qualifications of the Boards and of the Committees.
2. Board and Committee Meetings.
3. Roles, Duties and Responsibilities of the Boards and of the Committees.

The average score resulting from the evaluation of the Boards' and the Committees' performance in 2016 is 82.27 percent.

## Company Secretary

Miss Kalvarat Vithitamataya, retaining the position of Company Secretary, has such duties as entrusted by the Board of Directors as follows:

- (1) To organize Board of Directors meetings and shareholders meetings;
- (2) To organize Board of Directors meetings and shareholders meetings of subsidiary companies;
- (3) To prepare and file such documents as required by the pertinent laws;
- (4) To perform such other acts as assigned by the Board of Directors

## Company Director's Attendance at Training Courses of the Thai Institute of Directors

The following directors attended seminars and training courses of the Thai Institute of Directors :

Name	Position	Course
1. Mr. Somchai Sakulsurarat	Chairman of the Board and Independent Director	DCP (Director Certification Program) Certificate, Class 80/2006 Thai Institute of Directors
2. Mr. Charoen Rujirasopon	Director, Chief Executive Director and Chief Executive Officer	DAP (Director Accreditation Program) Certificate, Class 6/2003 Thai Institute of Directors
3. Mr. Worapon Lopansri	Independent Director and Chairman of the Audit and Corporate Governance Committee	<ul style="list-style-type: none"> <li>- Director Certification Program (DCP), Certificate, Class 167/2012 Thai Institute of Directors</li> <li>- Audit Committee Program (ACP) 45-2013</li> <li>- “ Enhancing Growth through Governance in Family – Controlled Business ” on 26th May 2016 Thai Institute of Directors</li> <li>- Audit Committee Forum 2016 “ New Auditor's Report; What is it for you? ” on 29th June 2016 Thai Institute of Directors</li> <li>- “ Managing Technology and Disruption ” on 15th September 2016 Thai Institute of Directors</li> <li>- Director Accreditation Program (DAP), Certificate, Class 29/2004</li> <li>- Director Certification Program (DCP), Certificate, Class 84/2007 Thai Institute of Directors</li> </ul>

Name	Position	Course
4. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee Member	<ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP), Certificate, Class 29/2004</li> <li>- DCP (Director Certification Program) Certificate, Class 84/2007 Thai Institute of Directors</li> </ul>
5. Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee Member	Director Accreditation Program (DAP), Certificate, Class 43/2005 Thai Institute of Directors
6. Mr. Charoenphan Phantumongkol	Independent Director	Director Accreditation Program (DAP), Certificate, Class 29/2004 Thai Institute of Directors
7. Mrs. Niramon Rujirasopon	Executive Director	<ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP), Certificate, Class 64/2004</li> <li>- Director Accreditation Program (DAP), Certificate, Class 16/2012</li> </ul>
8. Mr. Thanakrit Rujirasopon	Executive Director	Director Accreditation Program (DAP), Certificate, Class 6/2003
9. Mr. Jaraspon Rujirasopon	Executive Director	<ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP), Certificate, Class 105/2013</li> <li>- FSD (Financial Statement for Directors) Certificate, Class 17/2012 Thai Institute of Directors</li> </ul>



## Remuneration for Directors and Executives

The Company has the policy to pay remuneration at appropriate levels to its directors and executives, taking into consideration its operation results and comparisons based on the same type of industry and on suitability for the duties and responsibilities of each director and executive. The directors' remuneration is in the form of annual returns and meeting allowances, whereas the executives' remuneration is in the form of salaries and bonuses.

### (1) Remuneration in Money

#### 1.1 Remuneration for the Company's Directors and Management for 2016 :

##### (A) Remuneration for Directors, totally Baht 1,500,000.-

Name	Position	Remuneration for Directors
1. Mr. Somchai Sakulsurarat	Chairman of the Board of Directors and Independent Director	Baht235,000.-
2. Mr. Charoen Rujirasopon	Director and Chief Executive Officer	Baht 85,000.-
3. Mr. Worapon Lopansri	Independent Director and Chairman of the Audit and Corporate Governance Committee	Baht200,000.-
4. Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee Member	Baht170,000.-
5. Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee Member	Baht170,000.-
6. Mr. Charoenphan Phantumongkol	Independent Director and Chairman of the Recruitment and Compensation on Remuneration Committee	Baht180,000.-
7. Miss Panchama Vipamas	Director and Risk Management Sub-committee	Baht170,000.-
8. Mrs. Niramom Rujirasopon	Executive Director	Baht 80,000.-
9. Mr. Jaraspon Rujirasopon	Executive Director	Baht 80,000.-
10. Mr. Thanakrit Rujirasopon	Executive Director	Baht 80,000.-
11. Mr. Jarunpoj Rujirasopon	Executive Director and Risk Management Sub-committee	Baht 50,000.-*

(\* Starting the office of Director in April 2015, he received the remuneration pro rata.)

**(B) Meeting Allowance for Directors, totally Baht 740,000.-**

Name	Position	Meeting Allowance for		Total
		Directors	Audit & Corporate Governance Committee	
Mr. Somchai Sakulsurat	Chairman of the Board of Directors and Independent Director	Baht175,000.-		Baht175,000.-
Mr. Worapon Lopansri	Independent Director and Chairman of the Audit and Corporate Governance Committee	Baht 85,000.-	Baht 90,000.-	Baht175,000.-
Mr. Prasarn Marukpitak	Independent Director and Audit and Corporate Governance Committee Member	Baht 70,000.-	Baht 60,000.-	Baht130,000.-
Mr. Chusak Vijakkhana	Independent Director and Audit and Corporate Governance Committee Member	Baht 70,000.-	Baht 60,000.-	Baht130,000.-
Mr. Charoenphan Phantumongkol	Independent Director and Chairman of the Recruitment and Compensation on Remuneration Committee	Baht 70,000.-		Baht 70,000.-
Miss Panchama Vipamas	Director	Baht 60,000.-		Baht 60,000.-

**(C) Remuneration for the Company's Executive Directors and Executive**

The Company paid remuneration for the 7 Executive Directors and an Executive in the amount of Baht 16,576,025.- in term of the remuneration as below :-

1. Salary	Baht 15,240,125.-
2. Bonus	Baht 1,256,067.-
3. Social Security	Baht 54,000.-
4. Travelling expenses	Baht 10,833.-
5. Mobile expenses	Baht 12,000.-
6. Others	Baht 3,000.-

**(2) Other Remuneration**

- Other Remuneration for Directors - None -
- Other Remuneration for Executives - None -

## Personnel

As of 31st December 2016, the Company had 1,316 employees in total. In 2016, the Company paid them returns, such as, salaries, overtime pay, bonuses, special support funds, social security contributions, etc. (however, the Company has not yet established a provident fund) amounting in aggregate to Baht 347,841,843.-. In addition, the subsidiary companies paid their employees remuneration of the same natures as those of the Company, which remuneration amounted in aggregate to Baht 150,042,789.-. Details of the remuneration are in summary as follows:

2016	Operational Employee	Executive	Total	Remuneration (Baht)
S. Khonkaen Foods Public Company Limited	1,243	74	1,316	347,841,843.-
S. Pasusat Company Limited (Subsidiary)	91	4	95	16,249,702.-
Mahachai Food Processing Company Limited (Subsidiary)	562	18	580	123,886,406.-
SKK Food Company Limited (Subsidiary)	47 *	4 *	51 *	9,906,681.-*
S. Khonkaen Foods (Netherlands) B.V. (Subsidiary)	-	-	-	-
S. Training Center Company Limited (Subsidiary)	-	-	-	-
Thai Home Food (Bangkok) Company Limited (Subsidiary)	-	-	-	-
3D Food and Beverage Company Limited (Subsidiary)	-	-	-	-
<b>Total</b>	<b>1,896</b>	<b>96</b>	<b>1,992</b>	<b>497,884,632.-</b>

### Remark

“**Operational Employee**” means an employee at the level from a daily employee not yet permanently appointed to a senior sectional manager.

“**Executive**” means an employee at the level from a departmental manager to the Chief Executive Officer.

\* **The employees in SKK Food Company Limited had their employment terminated on 31st July 2016. They were, therefore, not included in the number of the employees as of 31st December 2016.**



## **Employee Development Policy**

### **Development of Directors and Executives**

The Board of Directors has the policy to promote and encourage its directors, executives, company secretary and related persons by having them attend various courses of training provided by the Thai Institute of Directors, the Stock Exchange of Thailand or independent organizations for the purposes of strengthening their knowledge, improving their performance and increasing the efficiency in the performance of their duties. In the event of a change of director or the appointment of a new director, management will make available documentation and information which are helpful to the performance of the new director's duty and will provide the new director with advice on the natures of business and guidelines for conducting business of the Company.

The development of personnel is an important process to develop or improve working procedures and to promote the knowledge, ability, skills and attitudes of personnel towards a better direction in order that the developed personnel can achieve the objectives of work of their working units efficiently. This is because the trend of changes in the modern world has resulted in high and rapid changes to social systems in general. In particular, the business sector must adjust administrative processes, management methods and ways of thinking to keep pace with quantum leap changes in the current era. Human resources therefore are regarded as one of the important keys of business which require rapid and continuing developments so as to accommodate changes and situations that are occurring. In addition, the development of human resources for quality in terms of both intelligence and labor is deemed to constitute a managerial factor important to the creation of competitive advantages and to the leading of the organization towards universal standards. To act in accordance with its visions and missions, the Company has stipulated that the Central Human Resource Administration Department in association with the human resource administration department of every business group serve as the core working unit responsible for human resource management. To this, the Company has a policy on promoting and developing its personnel at all levels continuously, manages the development of its personnel efficiently, provides methods and manages the environment to a condition befitting its employees' learning. To strengthen their knowledge and ability for more efficiency in working, the Company has prepared, on a systematic and continuing basis, personnel training plans as guidelines for various forms of development of its personnel, taking into consideration qualifications or ability the employees at each level should have, and then a summary is made as a guideline for developing human resources of the Company. In 2016, the Company both provided in-house training and seminars for employees and dispatched employees to attend off-site training sessions and seminars. In this regard, the Company's employees have on average 7.74 hours of training per year each.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
1. Mr. Somchai Sakulsurarat - Chairman of the Board / 20th May 2003 - Independent Director / 28th February 2010	68	<ul style="list-style-type: none"> <li>- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University</li> <li>- Bachelor of Economics (English Program) Thammasat University</li> <li>- Certificate of Course on the Defense of the Royal Kingdom, The Joint State-Private Sectors Regular Course (Wo-Por-Ro-Or) Generation 4414, National Defense College</li> <li>- Advance Certificate Course in Public Administration and Law for Executives, King Prajadhipok's Institute (Generation 11)</li> <li>- Certificate of Financial and Banking, Associateship Diploma of the Institute of Bankers, London.</li> <li>- Director Certification Program, (DCP), Certificate, Class 80/2006 Thai Institute of Directors Association, (IOD)</li> </ul>	-	-	2011 – Present 2011 – Present 2010 – Present 2010 – Present 2005 – Present 2003 – Present 2004 – 2013 2006 – 2008	Chairman of the Board Director Board Vice Chairman Independent Director Chairman of the Board Chairman of the Board Chairman of the Board Member of Parliament	Prachuab Port Company West Coast Engineering Sahaviriya Steel Industry S.Khonkaen Foods Plc. Chumporn Palm Oil Indu S.Khonkaen Foods Plc. Thai Agro Exchange Co.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
2. Mr. Charoen Rujirasopon / - Executive Board Chairman / 12th November 2012 - Chief Executive Officer / 9th May 2005 - Recruitment and Compensation on Remuneration Committee / 24th February 2014	69	<ul style="list-style-type: none"> <li>- Honorary Doctorate Degree in Business Management from Western University</li> <li>- Ph.D. in Social Change, Universal Ministries of the Kings College, U.S.A.</li> <li>- Honorary Doctorate of Science (Food Science and Technology) Rajamangala University of Technology Lanna</li> <li>- Master of Arts, Course on Social, Business and Political Leadership, Rangsit University</li> <li>- Bachelor of Laws, Ramkhamhaeng University</li> <li>- Advanced Level Certificate, Course on Public Sector Management and Public Law, King Prajadhipok's Institute</li> <li>- " Generation 9 year 2010 "</li> <li>- Certificate, Course on High-Level Executives, Capital Market (CMA, Alumni 15)</li> <li>- Formation Guideline for Audit Committee</li> <li>- Director Accreditation Program (DAP), Certificate, Class 6/2003</li> </ul>	22.92%	<p>Mrs.Niramorn's Spouse, Mr. Jaraspon Rujirasopon and Mr. Jarunpoij Rujirasopon's Father, Mr. Songkiat's Brother and Mr.Thanakrit's uncle</p>	<p>2015 – Present 2015 – Present 2014 – Present 2013 – Present 2012 – Present 2015 – Present 2003 – Present 2003 – Present 2003 – Present 2014 – 2016</p>	<p>Chairman of the Board Chairman of the Board Recruitment and Compensation on Remuneration Committee Chairman of the Board Executive Board Chairman Chief Executive Officer Chairman of the Board &amp; Chief Executive Officer Chairman of the Board &amp; Chief Executive Officer Chairman of the Board &amp; Chief Executive Officer Chairman of the Risk Management Sub-committee</p>	<p>S. Training Center Co., Thai Home Food (Bang Co.,Ltd. S.Khonkaen Foods Plc. S. Khonkaen Foods (Netherland) B.V. S. Khonkaen Foods Plc. S. Khonkaen Foods Plc. SKK Food.Company Ltd. Mahachai Food Process Co.,Ltd. S. Pasusat Co., Ltd. S. Khonkaen Foods Plc.</p>

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
3. Mr. Worapon Lopansri - Chairman of the Audit and Corporate Governance Committee / 12th May 2014 - Director and Independent Director / 29th April 2014	52	<ul style="list-style-type: none"> <li>- Master of Accountancy, Thammasat University</li> <li>- Certified Internal Auditor (CIA), No. 30858</li> <li>- Director Certification Program, Certificate, Class 167/2012 (DCP167/2012)</li> <li>- Thai Institute of Directors Association (IOD)</li> <li>- Audit Committee Program Class 45-2013 (ACP 45-2013)</li> <li>- “ Enhancing Growth through Governance in Family – Controlled Business ” on 26th May 2016</li> <li>- Audit Committee Forum 2016</li> <li>- “ New Auditor’s Report; What is it for you? ” on 29th June 2016</li> <li>- “ Managing Technology and Disruption ” on 15th September 2016</li> </ul>	0.0247%	-	11 August 2016 - Present 8th April 2016 - 10th August 2016 2014 – Present  2014 – Present  2005 – Present	Independent Director & Audit Committee Director  Chairman of the Audit & Corporate Governance Committee Director & Independent Director Head of Internal Audit	Fire Trade Engineering P Fire Trade Engineering O S. Khonkaen Foods Plc. S. Khonkaen Foods Plc. MSIG (Insurance) Thaila



Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
4. Mr. Prasarn Marukpitak / - Independent Director / 25th May 1994 - Audit & Corporate Governance Committee / 24th February 2014	68	<ul style="list-style-type: none"> <li>- Bachelor of Arts (Political Science) Chulalongkorn University</li> <li>- Director Accreditation Program (DAP), Class 29/2004</li> <li>- Thai Institute of Director Association (IOD)</li> <li>- Director Certification Program (DCP), Class 84/2007</li> <li>- Thai Institute of Directors Association (IOD)</li> </ul>	-	-	2014 - 2016	Member of the National Reform Council	S. Khonkaen Foods Plc  S. Khonkaen Foods Plc  Cheewit Thurakij Co., L
					2014 – Present	Audit & Corporate Governance Committee Director &	
					1994 – Present	Independent Director	
					1988 – Present	Chairman of the Board	
					1981 – Present	Business Narrator, Government and State Enterprises	
					2011 – 2012	Advisor to Ms. Supinya Klangnarong (NBTC – Director)	
					2008 – 2014	Senator: Nomination of the Profession	
					2008 – 2010	Senator: Academic Sector	
					2007 – 2008	Director	
					1999 – 2014	Audit Committee	
							Government Pharmace Organization S. Khonkaen Foods Plc

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
5. Mr. Chusak Vijakkhana / - Independent Director / 28th February 2010 - Director / 23rd November 2004 - Audit & Corporate Governance Committee / 24th February 2014 - Recruitment & Compensation on Remuneration Committee / 24th February 2014	66	- Bachelor of Laws (Hon.) Thammasat University -Director Accreditation Program (DAP) Certificate, Class 43/2005 Thai Institute of Directors Association (IOD)	-	-	October 2016 – Present	Director	Mahachai Food Process Co., Ltd.
					2014 – Present	Director	Chao Phraya Hospital Plc
					2014 – Present	Audit & Corporate Governance Committee	S. Khonkaen Foods Plc
					2014 – Present	Recruitment & Compensation on Remuneration Committee	S. Khonkaen Foods Plc
					2010 – Present	Independent Director	S. Khonkaen Foods Plc
					2007 – Present	Director	Thai Value Care Co., Ltd
					2005 – Present	Director	Wealthy Health Care Co
					2004 – Present	Director	S. Khonkaen Foods Plc
					2001 – Present	Managing Director	Marnwell Media Co., Ltd
					2000 – Present	Director	Mahachai Hospital Plc.
					1999 – Present	Managing Director	PSD & Associate Co., Ltd
					2004 – 2014	Audit Committee	S. Khonkaen Foods Plc

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
6. Mr. Charoenphan Phantumongkol - Independent Director - Chairman of the Recruitment & Compensation on Remuneration / 24th February 2014	85	<ul style="list-style-type: none"> <li>- Higher Certificate of Accountancy (Equivalent to BA)</li> <li>- Certified Public Accountant (CPA)</li> <li>- Director Accreditation Program (DAP) Class 29/2004</li> <li>- Thai Institute of Directors Association (IOD)</li> <li>- Internal Control and Risk Management (SET) TAS 2013 – 2014</li> <li>- (Federation of Accounting Professions)</li> <li>- IAS 39 Financial Instruments : Recognition and Measurement (Federation of Accounting Professions)</li> <li>- Hedge Accounting (Federation of Accounting Professions)</li> </ul>	-	-	July 2015 - Present	Consultant – Internal Audit Committee	Amtel Group (Bangkok) Co., Ltd.
					2014 - Present	Consultant – Accounting & Finance	Amtel Group (Bangkok) Co., Ltd.
					2014 - Present	Chairman of the Recruitment & Compensation on Remuneration	S. Khonkaen Foods Plc.
					2000 - Present	Independent Director	S. Khonkaen Foods Plc.
					2000 – 2014	Chairman of the Audit Committee	S. Khonkaen Foods Plc.
					1998 – 2008	Consultant – Accounting & Finance	Amtel Group (Bangkok) Co., Ltd.
					1998 – 2008	Managing Director	Chor Sampan Karn Bank Co., Ltd.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
7. Miss Panchama Vipamas / Director / 28th April 2009	65	<ul style="list-style-type: none"> <li>- M.B.A., Thammasat University</li> <li>- Master of Accountancy, Chulalongkorn University</li> <li>- Bachelor of Laws Sukhothai Thammathirat Open University</li> <li>- Bachelor of Accountancy Chulalongkorn University</li> </ul>	0.0035%	-	2015 - Present July 2015 - June 2016 2014 – March 2016 1993 – June 2015  1989 – 2015 2007 – March 2014 2003 – 2013 1994 – 2008	<ul style="list-style-type: none"> <li>- Director</li> <li>- Vice President (Accounting and Finance)</li> <li>- Risk Management Sub-committee</li> <li>- Director (Cash Management) Carabao Tawandaeng Group</li> <li>Executive Director</li> <li>Executive Director Director,</li> <li>Accounting &amp; Finance Executive Director</li> </ul>	S. Khonkaen Foods Plc. C.J. Express Group Co., Ltd. S. Khonkaen Foods Plc.  - Carabao Group Co., Ltd. - Carabao Tawandaeng Co., Ltd. - Tawandaeng DCM Co., Ltd. - Asia Pacific Glass Co., Ltd. S. Khonkaen Foods Plc. Carabao Tawandaeng Co., Ltd.  Carabao Tawandaeng Co., Ltd. S. Khonkaen Foods Plc.



Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
8. Mrs. Niramon Rujirasopon - Authorized Director / 25th May 1994 - Deputy Chief Executive Officer 9th May 2005	66	<ul style="list-style-type: none"> <li>- Bachelor of Economics (Industrial Economics) Ramkhamhaeng University</li> <li>- Director Accreditation Program (DAP 64/2007)</li> <li>- Thai Institute of Directors Association (IOD)</li> <li>- Director Certification Program (DCP 16/2012)</li> <li>- Thai Institute of Directors Association (IOD)</li> </ul>	11.194%	Mr. Charoen's Spouse and Mother of Mr. Jaraspon Rujirasopon and Mr. Jarunpoj Rujirasopon	10/11/2014 - 13/5/2016	Risk Management Sub-committee	S. Khonkaen Foods Plc.
					2013 – 2014	Acting Marketing Director (Marketing 4, Processed Seafood)	S. Khonkaen Foods Plc.
					2013 – 2014	Acting Marketing Director (Marketing 3, Traditional Thai food)	S. Khonkaen Foods Plc.
					2012 – 2014	Acting Marketing Director (Marketing 2, Frozen Foods)	S. Khonkaen Foods Plc.
					2008 – Present	Chairman of the Board	Thai Food for International Trade Employers' Association
					2005 – Present	Deputy Chief Executive Officer	S. Khonkaen Foods Plc.
					2005 – Present	Deputy Chief Executive Officer	SKK Food Company Limited
					2005 – Present	Deputy Chief Executive Officer	Mahachai Food Processing Company Limited
					2003 – Present	Executive Director	S. Khonkaen Foods Plc.
					2003 – Present	Executive Director	SKK Food Company Limited
					2003 – Present	Executive Director	Mahachai Food Processing
					2003 – Present	Executive Director	S. Pasusat Company Limited
					2003 – Present	Executive Director	Earth Wealth Mining Co., Ltd.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
9. Mr. Jaraspon Rujirasopon / - Executive Director / 14th August 2008 - Chief Executive Operation - QSR / 2nd August 2016	34	- M.B.A. (Marketing) / Aston University, Birmingham, UK - Bachelor of Arts in Communication Management, Chulalongkorn University - Financial Statements for Directors, Certificate, Class 17/2012 - Director Accreditation Program, Certificate, Class 105/2013 Thai Institutes of Directors Association	3.50%	- Son of Mr. Charoen Rujirasopon and Mrs. Niramon Rujirasopon - Mr.Songkiet Rujirasopon's nephew - Mr.Jarunpoj Rujirasopon's brother - Mr.Thanakrit Rujirasopon's first cousin	2nd August 2016 – Present 2015 - 2016  2014 - 2015  2013 – 2014  2008 – Present  2013 – 2014	Chief Executive Operation - QSR - Executive Vice President (QSR) - Assistant Executive Vice President (Strategy QSR) - Assistant Chief Executive Officer (Operation) and Acting Director, QSR(T) - Assistant to Deputy Chief Executive Officer - Executive Director (Authorized) - Director, QSR	S. Khonkaen Foods Plc.  S. Khonkaen Foods Plc.   S. Khonkaen Foods Plc.  S. Khonkaen Foods Plc.  S. Khonkaen Foods Plc.  S. Khonkaen Foods Plc.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
10. Mr. Jarunpoj Rujirasopon / - Executive Director / 27th April 2015 - Chief Executive Operation - Support / 1st August 2016 - Acting Chief Executive - Marketing and Sales / 1st August 2016 - Acting Chief Executive - Production / 1st August 2016	30	- Bachelor of Business Administration Chulalongkorn University - Director Accreditation Program (DAP), Certificate, Class 129/2016 Thai Institute of Directors Association (IOD)	3.50%	- Son of Mr. Charoen Rujirasopon and Mrs. Niramorn Rujirasopon - Mr.Songkiet Rujirasopon's nephew - Mr.Jarasopon Rujirasopon's brother - Mr.Thanakrit Rujirasopon's first cousin	2016 - Present	- Chief Executive Operation – Support - Acting Chief Executive - Marketing and Sales - Acting Chief Executive - Production	S. Khonkaen Foods Plc.
					2015	- Acting Assistant to Deputy Chief Executive Officer (Marketing and Sales) - Acting Assistant to Deputy Chief Executive Officer (Production) - Acting Sales Director - Acting Marketing Director	S. Khonkaen Foods Plc.
					2014 - 2015	- Assistant Chief Executive Officer (Support) - Risk Management Sub-committee - Acting Strategic and Business Development Director	S. Khonkaen Foods Plc.
					2014		S. Khonkaen Foods Plc.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
(con't)					2013	- Acting Director – Information System and Technology - Acting Assistant Chief Executive Officer (Support)	S. Khonkaen Foods Plc.
					2012 - 2014	General Manager (Strategy)	S. Khonkaen Foods Plc.



Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
11. Mr. Thanakrit Rujirasopon - Executive Director / 29th April 2013 - Production Director (Bangplee Factory) / 1st August 2002	50	- Bachelor of engineering (Mechanical Engineering) Prince of Songkla University - Director Accreditation Program (DAP), Class 6/2003 Thai Institute of Directors Association (IOD)	-	- Nephew of Mr. Charoen Rujirasopon and Mr. Songkiet Rujirasopon - Mr. Jaraspon Rujirasopon and Mr. Jarunpoij Rujirasopon's cousin	2013 – Present	- Executive Director (Authorized)	S. Khonkaen Foods Plc.
					2002 – 2012	- Executive Director (Authorized)	S. Khonkaen Foods Plc.
					2002 – Present	- Director, Production 1	S. Khonkaen Foods Plc
12. Mrs. Siriluck Chaiwatanaprapa - Director / 13th May 2016 - Domestic Sales Director / 31st December 2016	56	Bachelor of Business Administration Ramkhamhaeng University	-	-	2011 – Present	Sales Director (Domestic)	S. Khonkaen Foods Plc.
					2005 - 2010	Senior General Manager (Domestic Sales)	S. Khonkaen Foods Plc.

Name /Position / Date Appointed	Age	Education Background / Training	Share Ratio (%)	Relationship With Company's Management	Working Experience in 5 Years		
					Period	Position	Company
13. Mrs. Narinthorn Asawapanyawongse / Chief Financial Officer / 1st April 2016	54	<ul style="list-style-type: none"> <li>- Master of Business Administration Chulalongkorn University</li> <li>- Bachelor of Business and Accounting (Accounting / Finance) Thammasat University</li> <li>- MMP Chulalongkorn University</li> </ul>	-	-	2016 – Present 2014 – 2016 2012 - 2014	Chief Financial Officer Chief Financial Officer Chief Financial Officer	S. Khonkaen Foods Plc. Health Food Corporation Infonet Thailand Limited
14. Miss Kalvarat Vitthitamataya Secretary to Board of Director and Company Secretary / 13th August 2008	62	<ul style="list-style-type: none"> <li>- Pursuing Bachelor Degree in Laws Ramkhamhaeng University</li> <li>- Seminar on Assessment for AGM Arrangement 2016, Thai Investor Association</li> <li>- Seminar TAN for Contact Person</li> </ul>	-	-	13th August – Present 2004 – 2014	- Secretary to Board of Directors and Company's Secretary - Acting President's Office Director	S. Khonkaen Foods Plc. S. Khonkaen Foods Plc

# Duties and Responsibilities of the Company Secretary

## **1. Duties under the Securities and Exchange Act (No. 4) B.E. 2551 (A.D. 2008), Section 89/15**

- 1.1 To prepare and file the following documents:
  - (1) Register of directors;
  - (2) Notices for Board meetings, minutes of Board meetings, and annual reports of the Company;
  - (3) Notices for and minutes of meetings of shareholders
- 1.2 To keep records of interests reported by directors or executives;
- 1.3 To take such other actions as required by the Capital Market Supervisory Board

## **2. Other relevant duties**

- 2.1 To provide the Board of Directors with preliminary advice on points of law, rules and regulations of the Company;
- 2.2 To contact and communicate with general shareholders to let them know their rights and information of the Company;
- 2.3 To support the management of the Company to ensure that it conforms to principles of good corporate governance.

# Corporate Governance

## Corporate Governance Policy

The Board of Directors thoroughly realizes that good corporate governance is so important that it builds competitiveness of the Company and strengthens confidence of the shareholders, investors, and all stakeholders of the Company.

In 2014, the Company set up a written corporate governance policy as guidelines for the directors, executives, employees, and other concerned people to follow. The Company has prepared the policy in accordance with “The Principles of Good Corporate Governance for Listed Companies” issued in 2012 by the Stock Exchange of Thailand (SET) developed with reference to the OECD principles of corporate governance, which are accepted internationally and referred to as a framework for development of corporate governance policy in many countries. The Company’s policy was also developed in line with the Corporate Governance Report of Thai Listed Companies (CGR) under the corporate governance survey project of Thai listed companies conducted by Thai Institute of Directors Association (IOD), which has been modified to be consistent with the ASEAN Corporate Governance Scorecard.

The Company has revised the corporate governance policy in 2016 to appropriately align with the current situations and with other related policies, which have been concurrently revised, including business code of ethics, anti-corruption policies, and the guidelines thereof.

The Company published the corporate governance policy and other related policies on the Intranet and on the website of the Company ([www.sorkon.co.th](http://www.sorkon.co.th)) under the heading ‘Corporate Governance’. The Company’s corporate governance policy is summarized as follows :

### Chapter 1 : Rights of Shareholders

- 1) Fundamental Rights of Shareholders consist of:-
  - The rights to obtain share subscriptions, to transfer shares and to receive sufficient and timely information in an appropriate manner for decision making with impact on oneself and the Company.
  - The rights to attend and vote in the shareholders’ meeting to decide on any changes of the Company’s significant policies and on the shareholders’ rights to which the Board of Directors have to request the shareholders’ meeting for consent
  - The rights to elect and relieve directors, and to give consent to appointment of an independent auditor
  - The right to profit sharing.
- 2) Shareholders are entitled to receive a notice of meeting, the information about the date, time and place of the meeting, organized properly by the Company, and the meeting agenda accompanied by the Board of Directors’ opinions and all other relevant information concerning agenda items for consideration. The notice of meeting and accompanying notes shall be sent to the shareholders and the registrar at least 7 days prior to the meeting date, publicized in a newspaper for 3 consecutive days at least 3 days in advance of the meeting date, and posted on the Company’s website at least 1 month prior to the meeting date.
- 3) In the agenda item of dividend payment, the Company shall disclose the actual amount of dividend payment to be made and supplementary information in comparison with the policy.
- 4) In the agenda item of election of directors, the Company shall designate the names and profiles of whom nominated for directors in the notice of meeting. The shareholders can vote for each director individually with one voting right per share.



- 5) In the agenda item of appointment of auditors, the Company shall provide in the notice of meeting the names of the nominated auditors, their companies, and helpful information for shareholders to consider their competence and appropriateness, including the proposed audit fees.
- 6) The Chairman of the Board of Directors, the directors, and managers in charge of Finance or Accounting are responsible for attending the shareholders' meeting to answer shareholders' questions.
- 7) The Company shall inform the shareholders of methods for voting and vote counting before the commencement of the meeting, arrange for persons to verify the vote counting in the shareholders' meeting, and disclose them in the minutes of the shareholders' meeting.
- 8) The Company shall record in the minutes of the shareholders' meeting, the names of directors, the chairman of each sub-committee, and the Chief Executive Officer / Executive Board Chairman, who attend the shareholders' meeting as well as the resolutions and the affirmative, negative and abstaining votes for each agenda item that requires a resolution of the meeting.
- 9) The Company shall provide the shareholders with an opportunity to propose agenda items and / or the names of persons nominated to be directors prior to the meeting date and to make inquiries in the meeting. The inquiries and replies shall be recorded in the minutes of the meeting.
- 10) After the meeting, the shareholders shall have an access to the information about the resolutions and the voting results of the meeting.
- 11) The Company shall facilitate the meeting and encourage the shareholders and institutional investors to attend the shareholders' meeting.

The Company recognizes the importance of the fundamental rights of the shareholders including purchase, sale, and transfer of shares, profit sharing, and adequate access to news and information of the Company. The shareholders shall be informed of the rules and procedures for attendance at the meeting and of adequate information for consideration of each agenda item for a proper period of time prior to the meeting. The shareholders shall be given opportunities to raise questions for the directors in the meeting and the rights to assign proxy to someone to attend the meeting in order to vote in the shareholders' meeting to appoint or remove directors, to determine remuneration of directors, to appoint an external auditor and audit fees, and other matters affecting the Company, for instance, dividend appropriation, determination or amendment of the Company's Articles of Association and Memorandum of Association, capital increase or decrease, and approval of extraordinary items.

During the year 2016, the Company has fulfilled promotion and facilitation of the shareholders' rights execution as follows :-

1. The Company held the 2016 Annual General Meeting of Shareholders on Thursday 28 April 2016 at which all directors were in attendance including the Board Chairman, Executive Board Chairman / Chief Executive Officer and other directors. In addition, the Sub-committee including the Audit and Corporate Governance Committee Chairman and the members thereof, the Chairman of Recruitment and Compensation or Remuneration Committee and the members thereof, the Chairman of Risk Management Sub-committee and the members thereof, high-level executives and the external auditor attended the meeting.
2. The Company assigned the Thailand Securities Depository Company Limited as the share registrar of the Company to send to the shareholders at least 14 days prior to the meeting date the notice of meeting along with the rules and procedures of attendance and supplementary information attached to certain agenda items, in each of which the objectives, rationale, and opinions of the Board of Directors are provided adequately and clearly. The notice of meeting was publicized in a newspaper for 3 consecutive days at least 3 days in advance of the meeting date, and posted on the Company's website ([www.sorkon.co.th](http://www.sorkon.co.th)) prior to the meeting date to allow the time for the shareholders to study the information in advance.

3. The shareholders who are not able to attend the meeting in person are provided with an opportunity to assign proxy to someone or to an independent director to attend the meeting and vote on their behalf. The Company sent the notice of meeting along with attachments including brief profiles of independent directors and two forms of proxy determined by the Department of Business Development.
4. The Company prepared and submitted the minutes of meeting to SET no later than 14 days from the meeting date.
5. For convenience of the shareholders' travelling, the Company held the last meeting at the Emerald Hotel, where the shareholders can conveniently travel to the meeting place thanks to its location in the inner city on the electric train route.

## Chapter 2 : Equitable Treatment of Shareholders

- 1) The Board of Directors shall protect the shareholders' rights and treat the shareholders equally. The shareholders are entitled to the voting rights in proportion to the owned shares. The Company shall apply equitable treatment to provide for the shareholders necessary information relating to the Company adequately, fairly, and on a timely basis. The Company shall refrain from releasing undisclosed information with bias to a particular group of shareholders.
- 2) The shareholders have the rights to attend the meeting and to vote by proxy. They are entitled also to receive documents and instructions for proxy together with the notice of meeting. Legal proxies who deliver the form of proxy to the directors at the meeting shall hold the right to attend the meeting and to vote as equally in all aspects as the shareholders. The shareholders can alternatively assign proxy to one of the independent directors to attend the meeting and to vote. In this regard, the shareholders hold the rights to receive the complete and appropriate profiles and works of each independent director for their consideration.
- 3) The shareholders shall be fairly treated in the meeting.
- 4) Before initiating a connected transaction that is conditional on approval from the shareholders in accordance with the SET's regulations, the Company shall disclose the details and rationale for such initiative to the shareholders.
- 5) The Company shall disclose whether related-party transactions are made fairly at a market value and in the normal business.
- 6) The Company established a policy requiring the directors and high-level executives to report to the Board of Directors or their assigned persons, purchase and sale of their own shares, at least 1 day before the transaction date.

The Board of Directors monitored and protected the fundamental rights of every individual shareholder and group of shareholders equally including procedures of shareholders' meeting, measures to prevent the misuse of insider information for undue benefits of the directors, executives, and employees, and disclosure made by the directors and executives of interests of their own and their related persons.

When the shareholders are not able to attend a meeting in person, the Company provided an opportunity to the shareholders to assign proxy to independent directors or others to attend and to vote on their behalf by using the proxy form B, which the shareholders can determine the direction of voting by themselves on each agenda item, sent along with the notice of meeting and publicized on the Company's website from which the shareholders can download.

The Company informed the directors and executives of their duty to report the holding of the Company's securities and of punishments as prescribed by the Securities and Exchange Act B.E. 2535 and the SET's regulations. Whenever the directors and executives purchase and sell the Company's securities, they are liable for reporting the holding of the Company's securities of themselves, their spouses and minor children in compliance with section 50 of the Securities and Exchange Act B.E. 2535 within 3 working days, to the Office of Securities and Exchange Commission for information and also for publication. Also, the directors are required to report their holding of the Company's securities at every meeting of the Board of Directors.

### **Chapter 3 : Role of Stakeholders**

- 1) The Board of Directors realizes and recognizes the rights of stakeholders as prescribed by the laws, respect for human rights, fair treatment of labor, and the importance of communities, social, and environment. With respect to this awareness, the Board promotes collaboration between the Company and stakeholders in creation of prosperity, jobs, and sustainably strong financial position of the Company. The Board of Directors believes that the rights of stakeholders are righteously protected and treated.
- 2) The Board of Directors takes into consideration employee welfare. The employees are provided with appropriate remuneration, training for higher potential, pleasant work environment, safety standards, disciplines at work, and thorough caretaking.
- 3) In building competitive advantage and making profits to the Company, the Board of Directors takes into consideration benefits received and delivered to the stakeholders. The Board of Directors established a policy to treat every group of stakeholders in respect of the stakeholders' rights under the laws or any agreements with the Company and to refrain from any actions that could violate their rights.

In conducting its business, the Company has regard to righteousness, fairness, and the rights of all groups of stakeholders thus refraining from any actions that violate the rights of those stakeholders. The guidelines, to which executives and employees adhere, for treatment of all groups of stakeholders including shareholders, customers, business partners, the ones with business relations, employees, and society, are summarized as follows.

#### **Roles toward Shareholders**

The executives and employees shall perform their duties honestly, transparently and for the benefits of the Company and the shareholders. Management shall be done carefully and prudently to prevent loss to shareholders. They shall refrain from exploiting any undisclosed information of the Company, pursuing anything in a manner that possibly cause a conflict of interest with the Company, and revealing confidential information of the Company to outsiders.

#### **Roles toward Customers**

The Company insists on development of better goods and services constantly. The customers shall be provided with the right, adequate, and up-to-date information about the products and services without exaggeration, which could cause misunderstanding to the customers about quality, quantity, or any conditions of goods or services. Product pricing is properly set not to take advantage of consumers in compliance with the consumer protection laws.

### **Roles toward Business Partners and / or Creditors**

The Company shall treat its business partners and / or creditors on a fair and equal basis from which both parties receive mutual benefits. The Company shall adhere strictly to contracts or any terms and conditions as agreed. Should the Company is not able to follow any of the conditions, the business partners and / or creditors shall be promptly informed in advance to collaboratively resolve the issue.

### **Roles toward Trade Competitors**

The Company shall conform to the rules of fair business competition. It shall refrain from dishonest or improper seeking for trade secrets of trade competitors, for example, bribery paid to employees of the competitors, and from ruining reputation of trade competitors by allegations against them.

### **Roles toward Employees**

The Company shall treat all employees equally and fairly based on principles of human rights, commit to non-discrimination against race, gender, and religious belief. Employees' remuneration is fairly and properly based on types of work, responsibilities, and competence of each employee and is comparable to the ones of companies in the same industry. The Company established a policy to develop and improve knowledge and skills of employees continuously so that they proceed to career growth. The Company also provides employee welfare, such as uniform, annual physical check-up, off-site travelling allowance, housing loans (with the Government Housing Bank), in-house clinic, shuttle bus service, incidental expenses, gifts for sick employees, discounted prices offer on the Company's goods.

Furthermore, the Company established a policy to keep work environment safe for employees' lives and property in compliance with the laws and international standards. Employees and related persons are continuously educated and trained for safety in the work environment, for instance, a fire evacuation drill, a training course on safety at work, a first aid.

The Company encourages effective use of resources through its policy on energy conservation to be applied as a guideline for energy management and to urge for effective use of energy for maximum benefits. In this regard, the Company established a committee to set an energy conservation policy. The Company also established its intellectual property policy that prohibits employees from intellectual property infringement irrespective of whether it is a domestic or foreign one and from the use of pirated software at work, of which the copyright is violated. Additionally, policies exist for anti-corruption and impermissible bribery for the benefits of business.

In the prior year, the Company found no case of violation of laws pertaining to labor or employment, of wrongful infringement of others' intellectual property, of corruption, or of unethical business actions.

### **Roles toward Society, Community and Environment**

The Company takes into consideration its role and responsibility to the society, community and environment in operating business. The Company constantly advocates activities for the benefits of community and society as a whole. It strictly complies with the concerning laws and regulations with care and accountability for the possible impact arising from the products, services, or operations of the Company.

Moreover, the Company cultivated social responsibility and a sense of volunteer mind among employees to build a happily shared society, develop virtue and morality, preserve culture, and refrain from any actions that probably cause damage to natural resources and environment.



- 4) The Board of Directors arranged for a measure to notify clues or file grievances about illegal or unethical actions, behaviors that is inclined to corruption or misconduct of persons in the organization including employees and other stakeholders, misleading financial statements, or deficiencies of the internal control system. Mechanisms were developed to safeguard the whistleblower to urge the participatory actions of stakeholders in monitoring the Company's benefits more effectively.

**Channels for notifying clues or filing grievances**

**Email address** : dua@sorkon.co.th

**Postal address** : The Chairman of Audit and Corporate Governance Committee  
S.Khonkaen Foods Public Company Limited  
259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road,  
North Prakanong, Vadhana, Bangkok 10110

- 5) The Board of Directors has set a policy and a guideline for anti-corruption and prohibits the directors, executives, and employees of the Company (including subsidiaries, associates, other controlled companies, business partners, and any person deemed to be an intermediary or agent of the Company) from execution, acceptance, or support for any forms of corruption both directly and indirectly and has publicized the practices.

**Chapter 4 : Disclosure of Information and Transparency**

- 1) The Company insists on providing information equally to shareholders, financial institutions, securities companies, investors, anyone who wants to use financial information, and the public. It focuses on transparency, accuracy, completeness, timeliness, consistency, and impartiality to the information either positively or negatively. Nevertheless, the Company realizes the necessity for confidentiality of the critical business information and business strategies. This policy is consistent with the rules and regulations on disclosure of information prescribed by the Stock Exchange of Thailand and the Securities and Exchange Commission (SEC).
- 2) The disclosure policy covers all communication methods of the Company, for instance, an annual report, quarterly report of summary results of the business operations, news, press release, the Company's website. In addition to these methods, the policy also covers verbal communication, such as a group meeting, a meeting between two people, and a talk on the phone with an analyst or an investor.
- 3) The Company communicates with investors, analysts, persons involved in investment, and shareholders through the Chief Executive Officer or the Company's assigned representatives, i.e., the Chief Financial Officer and the Investor Relations Unit, whose main duties are to contact and coordinate with analysts, investors, and others who want the financial information, operating results, financial position, and any transactions affecting the Company.
- 4) The information disclosed regularly encompasses the Company's objectives, its financial position and operating results, report of Audit and Corporate Governance Committee Chairman, analysis of shareholding structure, management of risk factors, and the corporate governance policy. The Board of Directors also prepared a complimentary report of discussion attached in the annual report elaborating the key matters difficult to understand and delineating the critical policies of the Company concerning management of operating and financial risks. The Board also provided a record of attendances of the members of the Committee and the Sub-committee compared to the total number of meeting of the Committee and the Sub-committee.

- 5) The Company will not disclose any significant information that has not yet been publicized to unauthorized employees, a group of people, or anyone else (including investors, press, and analysts) unless that information is open to the public. When there is a need for business purpose to disclose information to related persons, external auditor, underwriter, banks, legal advisor, or other consultants, the Company will take any actions to ensure that these persons commit to keep confidential the information received with due care. Should any undue information is released, the Company will immediately disclose that information to the public. The Company commits to comply with SET's rules about new releases and other regulations or, if necessary, the Company will request SET to suspend the securities trading temporarily. Under specific circumstances, the Company may have to postpone disclosure of information to the public for some business reasons (such as a case when the disclosure is likely to affect business negotiations of the Company) until an appropriate time.
- 6) The Company established a policy to avoid dissemination of operating results that affects the share prices or that is in favor of someone especially during the time before submission of financial statements to SET, in other words, starting from the ending date of a quarter up until the date on which the Company notifies its operating results officially and completely through the information disclosure channels of SET except for a case where an issue or event causes the Company's operating results to be predicted with so significant discrepancies that the users of information are more likely to misunderstand, in which case the Company will disclose information to SET.
- 7) The Company has set up an Investor Relations page on the Company's website ([www.sorkon.co.th](http://www.sorkon.co.th)) to be an alternative channel for investors and other people to access the same information as the analysts or the institutional investors do. The Company will put all efforts in keeping the website ready to use and the information up-to-date constantly. Even though the format and characteristics of the information uploaded to the website may differ from that previously publicized depending on constraints of the website, the major content will not be significantly different.

The Board of Directors realizes the importance of disclosure of accurate, complete, and transparent information including both financial and general information in accordance with the rules of SEC and SET through an easily accessible channel. The Company has disclosed information of the Company to the shareholders, investors, and the public through the SET's channel and the Company's website in both Thai and English and has regularly updated the information thereon.

The Board of Directors is responsible for the consolidated financial statements of the Company and its subsidiaries, which have been prepared in accordance with the generally accepted accounting principles and given an unqualified opinion from the independent auditor, who has acceptable qualifications and gained consent from SEC.

The Chief Executive Officer performs a duty to give interview to the press to release information to the public. With respect to investor relations, the Company established the Investor Relations Unit to communicate with outsiders, for example, investors, institutional investors, general investors, and analysts on a fair and equal basis.

## Chapter 5 : Responsibilities of the Board of Directors

### 1. The Board of Directors and Committees

The Board of Directors consists of 12 directors, 5 of them are independent directors or more than one-third of the total number of directors, in accordance with the rules determined by SEC. This composition helps create the balance of the voting power in consideration of any matters.

In addition, there are 4 committees as follows :

- 1) Audit and Corporate Governance Committee
- 2) Recruitment and Compensation on Remuneration Committee
- 3) Risk Management Sub-committee
- 4) Executive Committee

### Board of Directors

#### Term of Office

1. According to the Public Limited Companies Act, B.E.2535 and the Articles of Association of the Company, one-third of the directors shall resign from their positions in each Annual General Meeting of Shareholders. If the number of directors is not exactly a multiple of three, the nearest number of one-third shall resign, in which case the directors who have served the longest term in office shall resign. The resigning directors may be re-elected to the position.

2. When there is a vacant position as a result of any reasons other than the retirement at the end of the term of office, the Board of Directors shall elect a person who is qualified for the position with no prohibited characteristics defined by section 68 of the Public Limited Companies Act, B.E.2535 to be a substitute director in the Board's meeting although the substitute director shall hold the position no longer than the remaining term of office of the vacated director whom is replaced.

#### Roles and Responsibilities of the Board of Directors

1. To perform its duties in compliance with the laws, objectives and stipulations in the Articles of Association of the Company, and resolutions of the Board's and the shareholders' meeting with integrity and prudence based on its value to safeguard the Company's interests except for matters contingent on approval of the shareholders' meeting, for example, matters required by the laws to obtain shareholders meeting's approval, connected transactions, major purchase and sale of assets under the SET's rules;

2. To review and to give consent to corporate policy, business plans, budget, management structure, scope of authority, corporate governance policy, and other matters prescribed by SET or the laws;

3. To supervise management operations to ensure that they are in agreement with the approved policies, business plans, and budget;

4. To appoint the Audit and Corporate Governance Committee and other committees;

5. To set up a reliable accounting system, financial reporting, and auditing together with effective and efficient internal control system and internal audit;

6. To direct the Company to undertake a comprehensive risk management system and effective process, reporting and monitoring of risk management;

7. To report accountability of the Board of Directors for preparation of financial statements along with the auditor's report in the annual report;

8. To treat the shareholders and stakeholders fairly in respect of conflict of interests, transparency of operations, and adequate disclosure of information;

9. To consider remuneration of directors and propose to the shareholders' meeting for consideration;

10. To appoint the Company Secretary to handle activities of the Board of Directors and the Company, including the Board's and the shareholders' meetings, counselling the Board and the Company to act and to run business in compliance with the laws and relevant regulations on a regular basis.

## Independent Directors

Independent directors shall have the following qualifications :

1. Hold the shares of the Company and its subsidiaries, inclusive of shares held by related persons, not larger than 1% of the total outstanding shares with voting rights;
2. Do not take part in management of the Company, affiliated companies, associated companies, companies related to the major shareholders of the Company, and not being an employee, staff, or an advisor who earns a regular salary of the Company, affiliated companies, associated companies, or the major shareholders of the Company;
3. Have neither benefit nor interest directly or indirectly both in financial and operational management of the Company, affiliated companies, associated companies, or the major shareholders of the Company, including during the two-year period prior to appointment to the position unless, subsequent to thorough consideration of the Board of Directors, such earlier beneficial involvement is envisaged to have no effect on performance and independent judgment of the independent directors;
4. Not being related persons or closed relatives of executives or major shareholders of the Company;
5. Are not appointed as representatives of the Company directors, major shareholders of the Company or shareholders who are related to major shareholders of the Company;
6. Are able to perform the duty, express opinions, or report their performance of duty as delegated from the Board of Directors under no control of executives, or the major shareholders of the Company, including any persons related to or the closed relatives of those persons.

When there is a vacant position as a result of any reasons other than the retirement at the end of the term of office and the remaining term of office of the vacant position is more than 2 months, the Board of Directors shall elect a person who is qualified for the position with no prohibited characteristics defined by the law to be a substitute independent director in the next committee's meeting on condition that the resolution must be derived from not less than three-fourth of the votes of the remaining independent directors although the substitute director shall hold the position no longer than the remaining term of office of the vacated director whom is replaced.

## Committees

### 1) Audit and Corporate Governance Committee

The Board of Directors appointed the Audit and Corporate Governance Committee, which consists of 3 independent directors as follows;

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

### Term of Office

Members of the Audit and Corporate Governance Committee hold a two-year term in office. The retired members may be re-elected to the position.



## Roles and Responsibilities of the Audit and Corporate Governance Committee

1. To review the Company's financial reporting to ensure its accuracy and adequacy;
2. To review the system of corporate governance, risk management, internal control, internal audit, and anti-corruption measures that are effective and appropriate, to consider the independence of the internal audit unit, and to give consent to the appointment, transfer, dismissal, and performance evaluation of the Head of Internal Audit Unit or any other units responsible internal audit;
3. To review the Company's compliance with the laws concerning securities and exchange, the regulations of SET, and other laws relating to the Company's business;
4. To consider, select, and nominate an independent person to serve as the Company's external auditor, to propose his / her remuneration, and to attend a meeting with the external auditor at least once a year without participation of the management;
5. To consider connected transactions or transactions that may involve a conflict of interests to ensure that they are in accordance with the laws and the regulations of SET and that they are reasonable and for the maximum benefits of the Company;
6. To prepare a report of the Audit and Corporate Governance Committee, which must be signed by the Chairman of Audit and Corporate Governance Committee. The report is disclosed in the Company's annual report with the minimum information as follows:
  - a. Comments on the accuracy, completeness and reliability of the Company's financial statements;
  - b. Comments on adequacy of the Company's internal control system;
  - c. Comments on the Company's compliance with the laws concerning securities and exchange, the regulations of SET, and other laws relating to the Company's business;
  - d. Comments on the appropriateness of the Company's external auditor;
  - e. Comments on transactions that may involve a conflict of interests;
  - f. The number of the meetings of the Audit and Corporate Governance Committee and the attendance of each member;
  - g. Comments and overall observations from the performance of the Committee's duty in accordance with the charter;
  - h. Any other information that, from the perspective of the Committee, should be known to the shareholders and general investors, which is confined to the scope of duties and responsibilities as assigned by the Board of Directors;
7. To set up a corporate governance policy suitable for the Company in accordance with the laws, rules and regulations of the supervisory agencies, i.e. the Stock Exchange of Thailand, the Office of Securities and Exchange Commission and other relevant agencies, and also with the guidelines on corporate governance based on international standards to propose to the Board of Directors for approval;
8. To monitor, supervise and give suggestions to the Board of Directors and the executives on their performance of duty and responsibilities in line with the corporate governance policy to ensure their practicable results and continuity;
9. To consider, revise and amend the corporate governance policy regularly to ensure that it is in agreement with the guidelines on corporate governance based on international standards, the laws and regulations, the Articles of Association and the Company's business;
10. To follow up and report the compliance with the corporate governance policy to the Board of Directors, shareholders and general investors;
11. To give suggestions on the rules and guidelines on morality and business ethics and guidance for the Company's directors, executives and employees;
12. To appoint a working group to support the corporate governance functions as appropriate;



13. To perform other duties assigned by the Board of Directors with approval from the Audit and Corporate Governance Committee;
14. In performing the duties of the Audit and Corporate Governance Committee, if it finds or suspects that there is a transaction or an action that could possibly have material effects on the Company's financial position or operating results, the Audit and Corporate Governance Committee should report to the Board of Directors to make adjustments or corrections within the period of time deemed appropriate by the Audit and Corporate Governance Committee. Should the Board of Directors or the executives do not make adjustments or corrections over that period, any one of the members of the Audit and Corporate Governance Committee may report that transaction or action to SEC or SET.

## 2) Recruitment and Compensation on Remuneration Committee

The Board of Directors appointed the Recruitment and Compensation on Remuneration Committee on 24 February 2014. The Recruitment and Compensation on Remuneration Committee consists of 3 company directors with the Chairman and one of the other two as independent directors as follows ;

- |                                  |   |
|----------------------------------|---|
| 1. Mr. Charoenphan Phantumongkol | Chairman of the Recruitment and Compensation on Remuneration Committee and independent director |
| 2. Mr. Chusak Vijakkhana         | Member of the Recruitment and Compensation on Remuneration Committee and independent director   |
| 3. Mr. Charoen Rujirasopon       | Member of the Recruitment and Compensation on Remuneration Committee                            |

### Term of Office

The Chairman and members of the Recruitment and Compensation on Remuneration Committee hold a two-year term in office since the election date or a term of office of the Company's director position. The retired members may be re-appointed to the position.

### Charter of the Recruitment and Compensation on Remuneration Committee

The Board of Directors has approved the Charter of the Recruitment and Compensation on Remuneration Committee and set the remuneration rates in written together with the following roles and responsibilities.

#### a. Recruitment Function

1. To consider the suitability of compositions of the Board of Directors and the other committees
2. To establish a policy, the rules and methods for nominating persons to be directors in order to propose these documents to the Board of Directors' meeting for approval;
3. To nominate, select and propose persons who are qualified for directors in the Board of Directors, members in the various committees of the Company and the top executives to the Board of Directors for consideration;
4. To perform other missions as assigned by the Board of Directors.

#### b. Compensation on Remuneration Function

1. To propose a remuneration policy and guidelines for payment of remuneration and other benefits for the Board of Directors, the Company's committees and the top executives. The proposed remuneration should be commensurate with their duties and responsibilities taking into account the results of the Company's operations;
2. To consider remuneration rate applied by other companies in the same industry as the Company;
3. To establish guidelines for annual performance evaluation of the Board of Directors, the Company's committees and the top executives, to report the results of evaluation to the Board of Directors and to disclose such information in the annual report;
4. To perform other missions as assigned by the Board of Director.

### 3) Risk Management Sub-committee

The Board of Directors appointed the Risk Management Sub-committee on 10th November 2014. The Risk Management Sub-committee consists of company directors and the high-level executives as follows;

- |    |                          |   |
|----|--------------------------|---|
| 1. | Mr. Charoen Rujirasopon  | Chairman of Risk Management Sub-committee             |
| 2. | Mrs. Niramon Rujirasopon | Member of Risk Management Sub-committee               |
| 3. | Miss Panchama Vipamas    | Member of Risk Management Sub-committee               |
| 4. | Mr. Jarunpoj Rujirasopon | Member of Risk Management Sub-committee               |
| 5. | Mr. Anucha Chawakijkosol | Member of Risk Management Sub-committee and Secretary |

Later, the Board of Directors appointed the new Risk Management Sub-committee on 13th May 2016 as follows;

- |    |                                  |   |
|----|----------------------------------|---|
| 1. | Mrs. Narinthorn Asawapanyawongse | Chairman of Risk Management Sub-committee |
| 2. | Miss Panchama Vipamas            | Member of Risk Management Sub-committee   |
| 3. | Mr. Jarunpoj Rujirasopon         | Member of Risk Management Sub-committee   |
| 4. | Mr. Anucha Chawakijkosol         | Member of Risk Management Sub-committee   |

**Note :** Mr. Anucha Chawakijkosol resigned from the Company with an effective date on 6th July 2016.

### 4) Executive Committee

The Executive Committee consists of 7 executives as follows;

- |    |                                 |  |
|----|---------------------------------|--|
| 1) | Mr. Charoen Rujirasopon         | Chief Executive Director and<br>Chief Executive Officer  |
| 2) | Mrs. Niramon Rujirasopon        | Executive Director and<br>Deputy Chief Executive Officer   |
| 3) | Mr. Jarunpoj Rujirasopon        | Executive Director and<br>- Chief Executive Operation - Support<br>- Chief Executive - Production<br>- Chief Executive – Marketing and Sales |
| 4) | Mr. Jaraspon Rujirasopon        | Executive Director and<br>Chief Executive Operation – QSR  |
| 5) | Mr. Thanakrit Rujirasopon       | Executive Director   |
| 6) | Mrs. Siriluck Chaiwatanaprapa   | Director   |
| 7) | Mrs. Narinthorn Aswapanyawongse | Chief Financial Officer  |

### **The Executive Committee has the following roles and responsibilities :**

1. To set the directions, business strategies, management structure, business plans and annual budget of the Company to propose to the Board of Directors for approval;
2. To manage the business operations of the Company to achieve the pre-determined objectives and goals;
3. To supervise and monitor the results of operations and financial position of the Company, and to report these information to the Board of Directors for information;
4. To seek and evaluate opportunities for investment in new businesses;
5. To consider the dividend policy of the Company and to provide comments for the Board of Directors;
6. To review and approve transactions on investment, human resource management, finance, general business administration and any other transactions related to the Company's business under the scope of delegated authority approved by the Board of Directors;
7. To consider and comment on matters requiring approval from the Board of Directors except for any activities that the Board of Directors assigned another committee to undertake them;
8. To review the risk management and the internal control system of the Company;
9. To employ an advisor or an independent person to give opinions or suggestions as necessary;
10. To undertake any other duties assigned by the Board of Directors in line with the Board's occasional delegation of authority and responsibility.

### **2. Board of Directors' Meeting**

The Board of Directors' meetings are scheduled for at least 6 times in a year. In the previous year, there were 7 meetings in total. All meetings were so ensure that every director could allot the time to attend the meeting simultaneously. The notice of meeting, consisting of details of agenda items and the annex, will be sent to the directors prior to the meeting date to allow each director to study the information ahead of the meeting time.

### **3. Non-Executive Committee's Meeting**

The Audit and Corporate Governance Committee and the non-executive directors hold jointly at least 3 meetings a year without any executive director in attendance. This allows for freely open discussion of any issues pertaining to the Company's business and issues in the interest of the directors. In the preceding year, there were 3 meetings in total. All meetings were scheduled in advance for the whole year to ensure that every director could allot the time to attend the meeting simultaneously.

The Board of Directors has appointed the Company Secretary to arrange the Board of Directors' meeting, the non-executive directors committee's meeting, and the shareholders' meeting, to prepare the minutes of meetings of the Board of Directors, the non-executive directors committee, and the shareholders, to file the documents as specified by laws, to give suggestions on legislation, rules, and regulations need to be known to the Board of Directors and the non-executive directors committee, to handle the Board of Directors' activities, and to coordinate for implementation of the resolutions of the Board of Directors and the non-executive directors committee.

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

The Board of Directors considers and gives consent to the critical matters concerning the Company's operations which cover policies, business plans, risks, operation plan, and budget, as well as monitors and supervises the management to implement the Company's determined policies effectively and efficiently.

## Nomination of Directors and Senior Executives

### A. Nomination and Appointment of Directors

1. The Nomination and Remuneration Committee is responsible for nominating and selecting qualified persons to propose to the Board of Directors for an appointment or to the shareholders' meeting in accordance with the Articles of Association of the Company.

2. To re-elect a vacated director for another term of office, the Nomination and Remuneration Committee will take into consideration various factors including the past performance, history records of attendance and active participation in the meeting, and support of the Board of Directors' activities, in case of an independent director, the independence of that person is also considered.

3. The election of directors shall be in compliance with the Articles of Association of the Company and stipulations in the relevant laws, which shall be transparent and clear and undertaken through the Nomination and Remuneration Committee. The criteria and methods of election of directors in the shareholders' meeting are as follows.

- a. A shareholder has the votes in proportion to his/her shareholding, i.e., one voting right per share.
- b. Each shareholder has to exercise all the voting rights as described in a. to vote for an individual or many individuals to be directors but cannot split the votes to provide any portions to anyone.
- c. The election of directors by voting applies a majority rule, if more than one individual receive the equal number of votes, the chairman of the meeting shall cast a decisive vote.

In each Annual General Meeting of Shareholders, one-third of directors shall resign from their positions. If the number of directors is not exactly a multiple of three, the nearest number of one-third shall resign, in which case the directors who have served the longest term in office shall resign. The resigning directors may be re-elected to the position upon approval of the shareholders. In case of the election of a new director, the Nomination and Remuneration Committee will nominate qualified persons who possess appropriate knowledge and competence to assume a director position.

When there is a vacant position as a result of any reasons other than the retirement at the end of the term of office, the Board of Directors shall elect a person who is qualified for the position with no prohibited characteristics defined by the laws to be a director in replacement of the vacated director to attend the next meeting of the Board of Directors unless the remaining term of office of the vacant position is less than 2 months. The substitute director shall hold the position no longer than the remaining term of office of the vacated director whom is replaced. The resolution of that election of substitute director must be derived from not less than three-fourth of the votes of the remaining directors.

In the Annual General Meeting of Shareholders for the year 2017, the Company has provided an opportunity for the shareholders to propose a qualified person to be elected as a Company's director for the Board of Directors' consideration in advance during October to December 2016. None of the shareholders proposed a person to be elected as a Company's director.

## B. Nomination of Senior Executives

An appointment of the Company's appropriate senior executives is subject to consideration of the Chief Executive Officer.

### Administration of Subsidiaries and Associates

The Company has set up rules and regulations on critical matters for subsidiaries to observe as follows;

1. Execution of connected transactions, acquisition and disposal of assets, and any other important transactions of the Company shall be done rightfully and completely and shall apply the same rules as the Company's on disclosure of information and handling of those transactions;
2. Subsidiaries shall comply with the same accounting standards and policies used by the Company including filing of information and bookkeeping in order that the Company could verify and compile the information to prepare the consolidated financial statements in a timely manner;
3. Subsidiaries shall apply the same human resource management policy as the Company's to build unity in the group of companies. The Company's policy requires that the directors monitor and control business of subsidiaries to ensure that their management is in line with the Company's policy. Furthermore, companies in the group collectively hold a monthly meeting to consider performance and set a plan and targets for each initiative of investment. The Company takes into consideration the expertise of each company in the group to start that new investment and, in case of expansion to a new line of business, it will assign a company which has the particular expertise in that business to join the project and the Company itself will venture into it.

### Handling of the Use of Insider Information

The handling of the use of insider information is prescribed as follows;

- The executives are informed of their duties and responsibilities to prepare and report their shareholdings;
- The executives are informed that they report their purchase and sale of securities since the appointment to the positions;
- The directors and executives are compelled to keep critical insider information confidential until it is reported to SET.

### Auditor's Remuneration

#### 1. Audit fee

In 2016, the Company and its subsidiaries paid audit fee to two auditors namely,

- EY Office Limited Baht 3,058,000.- and
- Miss Wiparat Triwacharanont Baht 9,000.-

The amount of which can be broken down to

- the audit fee incurred to the Company Baht 1,274,600.- and
- the audit fee incurred to the subsidiaries Baht 1,793,000.-

#### 2. Non-Audit fees

##### - Other service fees

- Service fees for observation of the destruction of inventory of Mahachai Food Processing Company Limited of Baht 10,000
- Fees to be paid in the future resulting from unfinished services of any assignments in the prior accounting period
  - None -



## **Business Code of Ethics**

The Board of Directors intends to support the development of the Company into an organization that operates business efficiently with corporate governance and the excellent business administration and runs its business responsibly, ethically, fairly, and transparently. The Board determines to create the greatest benefits to the shareholders taking into consideration the related stakeholders in order to build trustworthiness and to thrive sustainably together.

In 2014, the Company set up a written corporate governance policy as guidelines for the directors, executives, employees, and other concerned people to follow. In addition, the Company established guidelines on the process of control and monitoring the compliance with the business code of ethics. The code is reviewed every year to ensure its consistency with the Company's circumstances.

The Company has revised the corporate governance policy in 2016 to appropriately align with the current situations and with other related policies. The Company published the corporate governance policy and other related policies on the Intranet and on the website of the Company ([www.sorkon.co.th](http://www.sorkon.co.th)) under the heading "Corporate Governance".

## **Conflicts of Interests**

The Board of Directors set a policy on the conflicts of interests on the basis that requires any decisions on business activities to be made solely for the highest benefits of the Company and any actions that causes potential conflicts of interests to be avoided. The policy requires that any persons to whom a transaction to be considered relates or connects inform the Company of their relationship or connection with that transaction. Those persons shall neither participate in deciding on that transaction nor receive authority to approve the transaction.

The Audit and Corporate Governance Committee will present to the Board of Directors connected transactions or transactions that may involve a conflict of interests, which have been carefully considered for their appropriateness, handled in accordance with the rules prescribed by SET and disclosed in the annual registration statement (form 56-1) as well as the annual report.

## **Internal Control System**

(This subject is elaborated in the section "Internal Control and Risk Management")

## **Risk Management**

The Board of Directors and the senior executives of the Company emphasize the importance of the actions in the risk management process of the Company and support them so that they proceed effectively and efficiently and that the risks are kept under an acceptable level. The Risk Management Subcommittee is assigned the duty to supervise, inquire about risks, provide comments and suggestions to the management to ensure that the risk management system is implemented efficiently and that it covers comprehensively all types of risks relating to the business; strategic, operating, financial, and compliance, and continuously follow-up the action plans for risk reduction to ensure that the Company has adequately and properly managed the risks.

# Internal Control and Risk Management

## Board's Opinion about the Internal Control System

The Board of Directors has evaluated the internal control system of the Company by asking for information from management as well as by considering the Audit and Corporate Governance Committee's report. It can be summarized that, following the evaluation of 5 elements in the internal control system of the Company, that is:

- In-house Control
- Risk Assessment
- Operation Control Information System;
- Operation Control Data Communication; and
- Operation Control Monitoring System

The internal control system of the Company is, in the Board's opinion, sufficient and appropriate. In this connection, the Company has made available personnel adequate for the efficient implementation of the system and also made available adequately an internal control system regarding the monitoring and supervision of operations so that it can prevent illegal or unauthorized use by directors or executives of properties of the Company and its subsidiaries and prevent transactions with persons who are likely to have conflicts and with related persons, whereas for the other headings of internal control the Board of Directors is of the opinion that sufficient internal control has also been made available.

## Audit and Corporate Governance Committee's Opinion about the Internal Control System

The Company is aware of the importance of a good system of internal control because the good system will be well able to help prevent, administrate and manage a variety of risks or damages which may occur to the Company and its stakeholders. The Audit and Corporate Governance Committee, having reviewed the internal control system in association with the Company's internal audit unit and the Company's auditor, is of the opinion that the Company has a suitable and sufficient system of internal control to see to it that business is efficiently conducted in accordance with the relevant targets, objectives, laws and requirements, that property can be protected against dishonest acts or damage, and that correct and trustworthy accounts and reports are prepared. In 2016, 6 meetings in total of the Audit and Corporate Governance Committee were held and members of the Committee were present at all those 6 meetings.

## Internal Audit Supervisor

The Audit and Corporate Governance Committee's Meeting, No. 2.2014, held on 8th May 2014, appointed Mr. Sompak Kiratipongwut, to the position of Internal Audit Supervisor of the Company because he had been experienced in performing internal audits for a period of 21 years and had understanding of activities and operations of the Company. Therefore, the Audit and Corporate Governance Committee considers that Mr. Sompak Kiratipongwut is properly and sufficiently suitable to perform that duty. In addition, the appointment, removal or transfer of a person to or from the position of Internal Audit Supervisor of the Company must be approved and agreed to by the Audit and Corporate Governance Committee.

## Social Responsibility

### **In Terms of Anti-corruption**

The Company has intent and aspiration to fight against all forms of corruption in order that business decisions and actions of the Company, which are probably risky in terms of corruption, are considered and taken appropriately and that confidence is built on stakeholders of the Company.

In 2014, the Company signed a declaration of intent to participate in the Private Sector Collective Action Coalition against Corruption (CAC) Program, with the Thai Institute of Directors serving as the Program Secretary. This was for the purpose of declaring its intent and aspiration to fight against all forms of corruption. Besides, the Board of Directors resolved to have the Company enter the process of admission to membership of the Program and to make available an anti-corruption policy and relevant rules of practice so as encourage directors, executives, employees, and related parties to participate in concrete actions for anti-corruption.

In 2016, the Company agreed that reviews and updates were to be made to its anti-corruption policy and a manual on guidelines for implementing the anti-corruption policy, as well as to other relevant policies, such as the policies on business ethics and good corporate governance, in order that they would contain subject-matters be fitting business circumstances and risks that had changed. All those policies were approved by the Board of Directors. In addition, the Company prepared forms of self-evaluation relating to anti-corruption measures and submitted them for consideration and adoption to the Thai Institute of Directors as a member of the Private Sector Collective Action Coalition against Corruption Program. In this regard, the Company implemented its anti-corruption policy by assessing business risks to identify risky transactions as to whether they involved corruption, by formulating guidelines for controlling, preventing and monitoring corruption risks, by providing training for employees, and by making available communication covering all working units and all businesses in the Company, including business-related parties, such as suppliers, customers, subsidiary companies, associate companies, other companies over which the Company has the power of control, business partners, persons who are intermediaries or agents of the Company, so as to give them knowledge and understanding of its anti-corruption policy and guidelines. Follow-ups and evaluations of compliance with the anti-corruption policies were made by the internal control unit and reviews of the completeness and sufficiency of the anti-corruption process made by the Audit and Corporate Governance Committee and there were channels of reporting if violations or corrupt acts had been found and protective measures were also made available to reporters.

In addition, details of the anti-corruption policy and the manual on guidelines for compliance with the anti-corruption policy, including other relevant policies, such as the policies on business ethics and good corporate governance, are disclosed on the Company's website ([www.sorkon.co.th](http://www.sorkon.co.th)) under the heading Good Corporate Governance.

### Activities for the Environment

One of the projects the Company has implemented on a continuing basis for society and the environment is the processing of pig dung into biogas for the generation of electricity for consumption in the pig farms. In addition to eliminating the pollutions effectively, the Company uses a by-product in the category of dried pig dung to produce organic fertilizers, which have been given out to villagers in the surrounding areas.

### Activities for Society

- A contribution to the Chakri Naruebodin Medical Institute Project Fund was donated to the Ramathibodi Foundation, Faculty of Medicine, Ramathibodi Hospital, on 26th March 2016.
- A contribution to the fund of H.R.H. Princess Maha Chakri Sirindhorn's Charity Craniofacial Surgery Center was donated to the H.M. Queen Sirikit Building Foundation under Her Majesty's Patronage, Chulalongkorn Hospital, Thai Red Cross Society.
- Support was provided regarding products for distribution to people paying respect to the body of the late Phrabat Somdet Phra Paraminthara Maha Bhumibol Adulyadej (King Bhumibol Adulyadej) at Pramane Ground (Sanam Luang) on 22nd October 2016.
- Support regarding products was provided, in association with the Top Executive Program in Commerce and Trade, Class 9, to the "Make Merits for Our Father" Program.
- Support was provided to the World Thai Boxing Festival to Commemorate H.M. the King's Birthday (5th December).

### Activities for Education

Scholarships were given to the University of the Thai Chamber of Commerce and delivery thereof was taken by Assoc. Prof. Sauwanee Thairungroj, University President, on 20th December 2016.

## Inter-company Transactions

During Year 2016, the Company and its subsidiaries had an inter-company transaction with a director and majority shareholder as follows :

Person Likely to Have a Conflict	Nature of Relationship	Important Nature of Inter-company Transaction	Value of Transaction
Mr. Charoen Rujirasopon	Majority Shareholder and Executive	A subsidiary company is taking on lease land at No. 44, Village No. 2, Phaya Yen Sub-district, Pak Chong District, Nakhon Ratchasima Province, covering the area of approx. 368 Rai, 72 square Wah.	Bath 478,634.-

**Note :** The lease is for a term of 3 (three) years counting from 1st October 2015 until 30th September 2018.

### Necessity and Reasonability of Inter-company Transaction

The Company and the subsidiary entered into the inter-company transaction to carry on a normal business and support the normal businesses of the Company on general commercial terms.

### Measure for Supervision Relating to Inter-company Transaction

To enter into an inter-company transaction which is a normal business either with a third person or a person who may have a conflict of interests, the Company has likewise a guideline for approving it, mainly taking benefits of the Company into consideration, whereas for other inter-company transactions the Company requires that they be reviewed by the Audit and Corporate Governance Committee in order that care is taken to prevent a conflict of interests. For this purpose, the Audit and Corporate Governance Committee may employ an independent appraiser or financial consultant to assess the price of such inter-company transaction so that it is used as a guideline for comparison. Thereafter, the transaction will be proposed for approval to the Board of Directors.



# Audit and Corporate Governance Committee Report

## To : The Shareholders of S. Khonkaen Foods Public Company Limited

The Audit and Corporate Governance Committee of S. Khonkaen Foods Public Company Limited is comprised of three independent members, namely Mr. Worapon Lopansri, who possesses competence and expertise in Accounting and Finance, as Chairman of the Audit and Corporate Governance Committee, Mr. Prasarn Marukpitak and Mr. Chusak Vijakkhana as members of the Audit and Corporate Governance Committee. All the members are fully qualified in accordance with the regulations of the Stock Exchange of Thailand (SET). The members of the Audit and Corporate Governance Committee have performed their duties and responsibilities pursuant to the Charter approved by the Board of Directors of the Company.

In 2016, the Audit and Corporate Governance Committee has held 6 meetings in total with the management, the internal auditors and the external auditor. All the members of the Audit and Corporate Governance Committee attended each and every meeting to regularly report to the Board of Directors in each quarter on the Committee's performance and their recommendations as deemed appropriate. The main activities of the Committee are concluded as follows.

### 1. Financial Statements Review

The Audit and Corporate Governance Committee reviewed the quarterly and annual financial statements for the year 2016, which had been reviewed and audited by the external auditor prior to submission to the Board of Directors for approval. The Audit and Corporate Governance Committee's objectives of the review are to ensure that the financial statements have been prepared in accordance with the accounting standards or the generally accepted accounting principles and with adequate disclosure. Additionally, the Committee discussed with the management and the external auditor to collaboratively consider key accounting issues. After all, the management is responsible for preparation and presentation of financial statements and for necessary internal controls in the preparation process whereas the external auditor is responsible for expression of opinion on those financial statements.

### 2. Risk Management Review

The Audit and Corporate Governance Committee reviewed the Company's risk management to ensure that it was adequate, appropriate and efficient. The material risks are disclosed in the Risk Factor caption.

### 3. Internal Control Review

The Audit and Corporate Governance Committee, in conjunction with the Internal Audit Unit, reviewed and evaluated the internal control system using an evaluation form of the Office of the Securities and Exchange Commission (SEC) and the COSO - Internal Control Integrated Framework. In the Audit and Corporate Governance Committee's opinion, the Company has a proper and adequate internal control system to allow the operations to efficiently pursue the goals and objectives in compliance with the laws and relevant regulations, to prevent fraud on assets, and to produce accurate and reliable accounting records and reports.

#### **4. Internal Audit Unit Review and Oversight**

The Audit and Corporate Governance Committee approved the 2016 internal audit plan that was prepared on a risk-based approach. The Committee also reviewed independence and adequacy of resources needed for the Internal Audit Unit's operations. In addition, we reviewed the internal audit results and monitored progress of operations on a quarterly basis. The meetings with internal auditors were held with no participation from the management to discuss internal audit work independently. The Charter of the Internal Audit Unit was revised to assure that it was appropriate and up-to-date. The performance of the Head of the Internal Audit Unit was considered and evaluated on a yearly basis to ensure that the internal audit function has achieved its objectives.

#### **5. Law Compliance Review**

The Audit and Corporate Governance Committee reviewed the Company's compliance with the laws concerning securities and Stock Exchange, the regulations of SET and other related oversight bodies and the laws involving the Company's business.

#### **6. Corporate Governance Review**

The Audit and Corporate Governance Committee reviewed the Company's operations to ensure that the corporate governance system was adequate, appropriate and efficient. Moreover, the review aimed at existence of the corporate governance policy that was consistent with good corporate governance principles of the Thai Institute of Directors (IOD) and at compliance with the policy. Additionally, in 2016, the Audit and Corporate Governance Committee agreed with the revision and amendment of the good corporate governance policy and other related policies including the Business Code of Conduct, the anti-corruption policy and guidelines on implementation of anti-corruption policy to ensure that they are essentially proper under the current situations. The Committee also reviewed a self-assessment form on anti-corruption measures to ensure that the Company truly performed in agreement with the self-assessment report. Consequently, the Company could achieve its objective to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption Project, in which the accreditation to the Company as a project member is under consideration of IOD.

#### **7. Whistleblowing Arrangements Review**

The Audit and Corporate Governance Committee reviewed the adequacy and appropriateness of corruption preventive measures and of channels provided for whistleblowers to notify a trail or file a complaint. They should be able to efficiently prevent, control or solve the problems resulting from wrongdoing and corruption.

#### **8. Selection and Proposal for Appointment of External Auditors**

The Audit and Corporate Governance Committee is accountable for considering, selecting, nominating and proposing remuneration for the Company's external auditor in order to obtain an independent auditor. Qualifications, competences, experiences, past performance and appropriateness of audit fee are all considered. According to the Committee's meeting resolution, appointment of EY Office Limited as the Company's external auditor was agreed upon. The resolution was proposed to the Board of Directors for consideration and requested for further approval from the shareholders' meeting to appoint the Company's external auditor for 2016.

## 9. Related-Party Transactions Review

The Audit and Corporate Governance Committee reviewed the related-party transactions or transactions exposed to a conflict of interest to ensure that the Company had treated them and made relevant disclosure properly and completely in accordance with the laws concerning securities and Stock Exchange, the regulations of the Stock Exchange of Thailand and other related oversight bodies.

## 10. Performance Self-Assessment

The Audit and Corporate Governance Committee reviewed and undertook a self-assessment of the performance both collectively and individually taking into consideration best practices and the Charter of the Committee. The result revealed that the Committee had carried out their duties effectively in line with the scope of duty in the Charter. In addition, the Committee revised and amended the Charter in 2016 and requested for approval from the Board of Directors to extend the scope of duty and responsibility to cover a review of the Company's proper and efficient anti-corruption measures.

In conclusion, the Audit and Corporate Governance Committee performed its duties independently and duly in accordance with the scope of duty assigned by the Board of Directors. In the Committee's opinion, the financial statements of the Company had been prepared fairly, in all material aspects, in accordance with the financial reporting standards, the related-party transactions were reasonable, disclosure of information was adequate, complete and reliable, the internal control system and the risk management system were effective and efficient, and the Company had complied with its key policies and the relevant laws and regulations.



Mr. Worapon Lopansri  
Chairman of Audit and Corporate Governance Committee



Mr. Prasarn Marukpitak  
Member of Audit and Corporate Governance Committee



Mr. Chusak Vijakkhana  
Member of Audit and Corporate Governance Committee





# Financial Highlights

## Consolidated Financial Statements

Statement of Financial Position	As at					
	31 December 2016		31 December 2015		December 2014	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Cash and cash equivalent	79.31	3.5	66.76	3.6	26.95	1.7
Trade and other receivables	397.20	17.3	392.76	21.0	364.39	22.7
Inventories	201.46	8.8	191.32	10.2	188.95	11.7
Other current assets	4.43	0.2	5.48	0.3	5.94	0.4
<b>Total current assets</b>	<b>682.40</b>	<b>29.8</b>	<b>656.32</b>	<b>35.0</b>	<b>586.23</b>	<b>36.4</b>
Non-current biological assets	17.02	0.7	21.79	1.2	14.76	0.9
Property, plant and equipment	928.15	40.5	825.43	44.1	641.67	39.9
Investment properties	628.10	27.4	328.28	17.5	331.84	20.6
Other non-current assets	35.70	1.6	41.44	2.2	34.06	2.1
<b>Total assets</b>	<b>2,291.37</b>	<b>100.0</b>	<b>1,873.26</b>	<b>100.0</b>	<b>1,608.56</b>	<b>100.0</b>
Bank overdraft and short-term loans	550.52	34.0	550.89	29.4	427.92	26.6
Trade and other payables	277.64	12.1	255.48	13.6	248.34	15.4
Current portion of long-term loans	89.06	3.9	54.99	2.9	31.71	2.0
Other current liabilities	34.75	1.5	36.14	1.9	27.77	1.7
<b>Total current liabilities</b>	<b>951.99</b>	<b>41.5</b>	<b>897.50</b>	<b>47.8</b>	<b>735.74</b>	<b>45.7</b>
Long-term liabilities	453.49	19.8	216.37	11.5	170.85	10.6
Provision for long-term employee benefits	63.16	2.8	59.49	3.2	37.30	2.3
<b>Total liabilities</b>	<b>1,468.64</b>	<b>64.1</b>	<b>1,173.36</b>	<b>62.5</b>	<b>943.89</b>	<b>58.7</b>
Equity to owners of the Company	822.14	35.9	698.84	37.2	663.21	41.2
Non-controlling interests of the subsidiaries	0.59	0.0	1.07	0.1	1.46	0.1
<b>Total shareholder's equity</b>	<b>822.73</b>	<b>35.9</b>	<b>699.90</b>	<b>37.3</b>	<b>664.67</b>	<b>41.3</b>
<b>Total liabilities and shareholder's equity</b>	<b>2,291.37</b>	<b>100.0</b>	<b>1,873.26</b>	<b>100.0</b>	<b>1,608.56</b>	<b>100.0</b>



Statement of Income	Year Ended					
	2016		2015		2014	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Revenue from sales	2,639.62	97.8	2,378.56	99.3	2,217.48	99.3
Revenue from rental and service	14.60	0.5	-	-	-	-
Other income	45.95	1.7	15.75	0.7	15.47	0.7
<b>Total revenue</b>	<b>2,700.16</b>	<b>100.0</b>	<b>2,394.31</b>	<b>100.0</b>	<b>2,232.95</b>	<b>100.0</b>
Cost of sales	1,816.11	67.3	1,614.54	67.4	1,520.01	68.1
Cost of rental and service	8.44	0.3	-	-	-	-
Selling expenses	378.44	14.0	298.48	12.5	279.37	12.5
Administrative expenses	323.28	12.0	305.19	12.7	278.65	12.5
<b>Operating income</b>	<b>173.89</b>	<b>6.4</b>	<b>176.09</b>	<b>7.4</b>	<b>154.92</b>	<b>6.9</b>
Finance cost	37.10	1.4	23.75	1.0	16.29	0.7
Income tax expenses	27.95	1.0	30.10	1.3	27.21	1.2
<b>Profit after tax</b>	<b>108.84</b>	<b>4.0</b>	<b>122.25</b>	<b>5.1</b>	<b>111.42</b>	<b>5.0</b>
Profit attributable to Non-controlling	(0.33)	(0.0)	(1.24)	(0.1)	0.28	0.0
Profit attributable to equity holders of the Company	109.17	4.0	123.49	5.2	111.14	5.0

Cash Flow Statement	Year Ended		
	2016	2015	2014
	Mil. Baht	Mil. Baht	Mil. Baht
Profit from operating activities before changes in operating assets and liabilities	246.79	243.46	197.28
<b>Net cash flows from operating activities</b>	<b>204.38</b>	<b>170.30</b>	<b>136.59</b>
<b>Net cash flows from investing activities</b>	<b>(444.59)</b>	<b>(233.16)</b>	<b>(225.20)</b>
<b>Net cash flows from financing activities</b>	<b>252.76</b>	<b>102.72</b>	<b>88.35</b>
Net increasing in cash and cash equivalents	12.55	39.86	(0.26)
Cash and cash equivalents at the beginning of the period	66.76	26.94	27.14
Cash and cash equivalents at the ending of the period	79.31	66.76	26.94

Financial Ratio	Year Ended		
	2016	2015	2014
<b>Liquidity Ratio</b>			
Current ratio (Times)	0.7	0.7	0.8
Quick ratio (Times)	0.5	0.5	0.5
Cash flow Ratio (Times)	0.2	0.2	0.2
Accounts receivable turnover (Times)	6.7	6.3	6.7
Average collection period (Days)	53.6	57.3	53.7
Inventory turnover (Times)	9.3	8.6	8.7
Average day's sales in inventory (Days)	38.7	41.7	41.5
Accounts payable turnover (Times)	6.8	6.4	7.1
Average payment period (Days)	52.6	56.2	51.0
Cash Cycle (Days)	39.7	42.8	44.1
<b>Profitability Ratio</b>			
Gross profit margin (%)	31.26%	32.12%	31.45%
Operating profit margin (%)	6.55%	7.40%	6.99%
Net profit margin (%)	4.03%	5.11%	4.99%
Return to equity (%)	14.30%	17.92%	17.45%
<b>Efficiency Ratio</b>			
Return on assets (%)	5.23%	7.02%	7.64%
Return on fixed assets (%)	13.87%	16.99%	17.74%
Total asset turnover (Times)	1.3	1.4	1.5
<b>Financial Policy Ratio</b>			
Debt to equity ratio (Times)	1.8	1.7	1.4
Interest coverage ratio (Times)	6.2	8.1	8.4
Dividend payout ratio (%)	61.29%	54.56%	52.98%

# Management Discussion and Analysis

## Operating Results and Financial Position of the prior year

### (1) Business overview and major changes

The year 2016 is another year of success in pursuing our business strategy including a launch of new optimum-sized products in the ready-to-eat product group and of continuous sales promotion through all distribution channels throughout the year. Consequently, the Company reached the highest record of its total revenues since the start of business at Baht 2,700.2 million, 13% increase from the year 2015. This year, the selling and administrative expenses have increased by 16% from the previous year due to a sales promotion campaign and allowance for impairment of inventory and idle assets. Therefore, the net profit attributable to the equity holders of the Company decreased by 12% from Baht 123.5 million in 2015 to Baht 109.2 million in 2016.

Economic conditions of Thailand have obviously shown a signal of slowdown. A steady decline in consumer confidence index has driven a decrease of purchasing power of consumers for unnecessary goods, which affected the snack market of the Company. Seafood products industry has still been affected continuously from the European Union's yellow-carded warning on Thailand illegal fishing. There was a shortage of supply for raw materials of the Company, which has caused constantly high product costs through the end of the year. However, to adapt to the situation, the Company adjusted the food processing formula to be less dependent on fresh fish products as raw materials and increased inventory management efficiency.

Total revenues in 2016 are comprised of sales revenues, rental income and other income of Baht 2,639.6 million, Baht 14.6 million and Baht 45.9 million respectively. Sales revenues in 2016 increased by Baht 261.1 million or 11%, resulting from every product group of the Company except the meat snack, which slightly decreased by 1.5% compared to the year 2015.

The Ready-to-Eat (RTE) / Ready-to-Heat (RTH) frozen food was the fastest-growing business group with the growth rate of 63% amounting to Baht 70.6 million due to a launch of new menu and a substantial increase of existing demands of convenience stores' customers.

The traditional Thai foods and processed seafood business groups, which generated the main income for the Company, have had constant growth of income over years. These groups had the highest sales growth of Baht 80.6 million or 7.8% and Baht 58.8 million or 7% respectively as a result of the launch of new optimum-sized products in the ready-to-eat product group and of continuous sales promotion through all distribution channels for the entire year. Sales revenues of other business groups are as follows.

Unit : Million Baht

Revenues by Product Group	2016	2015	Increase / (Decrease)	% YoY
RTE / RTH Frozen Food	183.6	112.9	70.6	62.6%
Quick Service Restaurant	129.7	99.3	30.4	30.6%
Swine Farming	224.3	202.2	22.1	9.8%
Processed Seafood	884.0	825.1	58.8	7.1%
Traditional Thai Foods	1,118.6	1,038.0	80.6	7.8%
Meat Snack	99.4	101.0	(1.6)	-1.5%
<b>Total Net Sales Revenues</b>	<b>2,639.6</b>	<b>2,378.6</b>	<b>261.1</b>	<b>11.0%</b>

## (2) Operating results and profitability

### 2.1 Revenue structure by product group

	2016		2015		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>1. Processed food made from pork (traditional food)</b>						
- Domestic	1,029.5	38.1	973.1	40.6	890.6	39.9
- Export	89.1	3.3	64.9	2.7	65.7	2.9
<b>Total</b>	<b>1,118.6</b>	<b>41.4</b>	<b>1,038</b>	<b>43.3</b>	<b>953.3</b>	<b>42.8</b>
<b>2. Processed seafood (fish balls)</b>						
- Domestic	812.6	30.1	746.0	31.2	678.7	30.4
- Export	71.4	2.6	79.1	3.3	77.6	3.5
<b>Total</b>	<b>884.0</b>	<b>32.7</b>	<b>825.1</b>	<b>34.5</b>	<b>756.2</b>	<b>33.9</b>
<b>3. Snack food from pork</b>						
- Domestic	97.2	3.6	98.0	4.1	94.0	4.2
- Export	2.2	0.1	3.0	0.1	4.2	0.2
<b>Total</b>	<b>99.4</b>	<b>3.7</b>	<b>101.0</b>	<b>4.2</b>	<b>98.2</b>	<b>4.4</b>
<b>4. RTE / RTH frozen food</b>						
- Domestic	176.8	6.5	108.3	4.5	152.0	6.8
- Export	6.8	0.3	4.6	0.2	0.3	0.0
<b>Total</b>	<b>183.6</b>	<b>6.8</b>	<b>112.9</b>	<b>4.7</b>	<b>152.3</b>	<b>6.8</b>
<b>5. Quick Service Restaurant (QSR)</b>	129.7	4.8	99.3	4.1	62.8	2.8
<b>6. Swine Farming</b>	224.3	8.3	202.2	8.4	191.7	8.6
<b>Total</b>	<b>2,639.6</b>	<b>97.8</b>	<b>2,378.6</b>	<b>99.3</b>	<b>2,217.5</b>	<b>99.3</b>
<b>Other income</b>	60.5	2.2	15.7	0.7	15.5	0.7
<b>Grand Total</b>	<b>2,700.2</b>	<b>100</b>	<b>2,394.3</b>	<b>100.0</b>	<b>2,233.0</b>	<b>100.0</b>

According to the above table, the processed food made from pork (traditional foods) and processed seafood (fish ball) businesses still have had the largest revenue share, both of which accounted for 74.1% of the total revenues but decreased from 2015 due to the growth of frozen food business by 62.6% from 2015.



## 2.2 Gross profit

In 2016, the Company had a gross profit of Baht 829.7 million, an increase of approximately 9% from 2015, comprising a gross profit from sales revenues amounting to Baht 823.5 million and a gross profit from rental and other services income amounting to Baht 6.2 million. Changes in the gross profit from sales revenues are detailed as follows.

Unit : Million Baht

Revenues by Product Group	2016	2015	Increase / Decrease	% YoY
RTE / RTH Frozen Food	36.3	11.0	25.4	231.2%
Quick Service Restaurant	76.0	52.6	23.4	44.5%
Processed Seafood	216.5	205.1	11.4	5.6%
Traditional Thai Foods	435.2	425.3	9.9	2.3%
Meat Snack	29.4	32.2	(2.8)	-8.6%
Swine Farming	30.1	37.9	(7.8)	-20.5%
<b>Total Gross profit</b>	<b>823.5</b>	<b>764.0</b>	<b>59.5</b>	<b>7.8%</b>

According to the above table, the total gross profit increased by Baht 59.5 million or 8% from 2015. The average gross profit of all product groups in 2016 was 31.2% decreasing by 0.9% from 32.1% in 2015.

The frozen food business group had the highest growth of gross profit resulting from a substantial sales growth hence the full efficiency of production capacity. On the contrary, gross profit of the swine farming and meat snack business groups plunged by 20.5% and 8.6% respectively from 2015 owing to a sharp decline of market prices of pork and to a decrease of the sales of meat snack business group resulting to an upward shift of fixed costs per unit.

## 2.3 Selling and administrative expenses

The selling and administrative expenses rose by Baht 98 million or 16% from 2015 resulting from the continuous launch of sales promotion campaigns in every distribution channels in 2016, particularly the wet market. In the 4th quarter, the Company arranged a lucky draw for big prizes valuing millions of Baht to maintain its customer base amongst the economic slowdown, a fall in purchasing power of consumers, and the higher business competition. Additionally, the Company provided allowance for impairment of inventory and idle assets.

## 2.4 Interest expenses

Interest expenses in 2016 of Baht 37.1 million, increasing by Baht 13.4 million from 2015 due to capital investment in a new office building in the 2nd quarter, an expansion of new 6 branches of Zaap Classic restaurant, and replacement of old machinery.

## 2.5 Changes of significant accounting policy

None of significant accounting policy was changed.

## 2.6 Net profit from operations

Net profit attributable to equity holders of the Company decreased from Baht 123.5 million in 2015 to Baht 109.2 million in 2016 or 12% mainly because of an increase of selling and administrative expenses and interest expenses.

## 2.7 Return on equity

In 2016, ROE of the Company was 14.3% decreasing from 17.9% in 2015 due to a decrease of net profit.

### (3) Asset management efficiency

At the end of 2016, total assets of the Company were Baht 2,291.4 million comprising current assets of Baht 682.4 million or 29.8% of total assets and non-current assets of Baht 2,609 million or 70% of total assets.

During the preceding year of 2016, property, plant and equipment of the Company increased by Baht 102.7 million comprising investment in factory and machinery improvement to boost manufacturing efficiency, acquisition of land in Bang Pu Nua Industrial Estate, and expansion of Zaap Classic restaurant branches and of barns in swine farms.

Last year, the Company had a total assets turnover rate of 1.3 sliding down from 1.4 in 2015 because of the investment in expansion of Zaap Classic restaurant branches and in construction of office buildings. As a result, the Company could not fully recognize revenues for the whole year and thus decreasing the total assets turnover rate from the last year.

However, working capital management (current assets) was efficient in accordance with the Company's policy as planned.

- **Average collection period**  
53.6 days in 2016, nearly similar to 57.3 days in 2015
- **Average days' sales in inventory**  
38.7 days in 2016, slightly outperformed 41.7 days in 2015
- **Average payment period**  
52.6 days in 2016, nearly similar to 56.2 days in 2015
- **Cash cycle**  
40 days in 2016, better than 43 days in 2015

Net book value of investment properties at the end of 2016 was Baht 628.1 million comprising

**Land awaiting development** with net book value of Baht 317.4 million accounted for 13.9% of the total assets (the land awaiting development is mainly located in Kaeng Koi, Saraburi Province, where the dual-track railways system will run through the nearby area, thus the Company is waiting for a proper opportunity to sell the land to maximize the Company's benefits. The market-based appraisal value of the land in 2011 was totaling to Baht 471 million.

**Land and a 14-storied office building** amounting to Baht 309.2 million accounted for 13.5% of the total assets.

**Land improvement of Mahachai Food Processing Co., Ltd.** amounting to Baht 1.5 million.

### Impairment of assets

- Impairment of investment. The Company has provided allowance for impairment of investment in subsidiaries of Baht 4 million derived from loss in 3D Food and Beverage Co., Ltd. for Baht 2 million and loss in Thai Home Food (Bangkok) Co., Ltd. for Baht 2 million.
- Impairment of other assets. The Company has provided allowance for impairment of Yunnan restaurant assets of Baht 10.4 million.
- Allowance for doubtful accounts. Good quality of almost all trade receivables of the Company (modern trade businesses) together with strict policy execution and management have contributed to low-level allowance for doubtful accounts in 2016 at approximately Baht 0.05 million or 0.01% of total outstanding debtors, the aging of which is shown below.

Unit : Thousand Baht

	Not yet due	Overdue 0 - 3 months	Overdue 3 - 6 months	Overdue 6 - 12 months	Overdue >12 months	Total
Trade receivables (gross amount before allowance)	380,576	5,812	16	79	2	386,485

- **Impairment of inventory.** The Company provided an allowance for inventory cost reduction of Baht 10.7 million.
- **Amortization of leasehold.** The Company recorded an amortization expense on leasehold of Baht 0.5 million.

## (4) Liquidity and sufficiency of working capital

### 4.1 Sources and uses of fund

#### 4.1.1 Changes in source of fund

In 2016, the Company had net cash inflow from operating activities (after tax) of Baht 204.4 million, net cash outflow from investing activities of Baht 444.6 million, and net cash inflow from financing activities of Baht 252.7 million. Overall, cash inflows from financing and operating activities were used as sources of fund for expansion of business in 2016 although the working capital (accounts receivable + inventory - accounts payable) decreased by 2.3% from Baht 328.6 million in 2015 to Baht 321 million in 2016.

#### 4.1.2 Capital structure

##### Debt to Equity Ratio (D/E ratio)

At the end of 2016, D/E ratio was appropriately maintained at 1.8.

##### Interest Coverage Ratio: ICR

In 2016, the interest coverage ratio was 6.2, which represented the Company's high capacity to interest.

## 4.2 Capital expenditure

Capital expenditure in year 2016 consists of 4 parts

- 1) Improvement of office and factory buildings and machinery as well as expansion and improvement of swine farm for higher manufacturing efficiency with the total investment of Baht 72.8 million.
- 2) Down payment for land in Bang Pu Nua Industrial Estate. The Company has made a down payment for entitlement to purchase a 20-Rai plot of land of Baht 48.75 million in 2015 and an additional payment of Baht 33.3 million in 2016. The remainder will be paid with the ownership transfer on 30 June 2017.
- 3) Expansion of branches of Zaap Classic restaurants. Six more branches are added to reach to total number of 11 branches in 2016 with an approximate total investment of Baht 27 million.
- 4) Acquisition of land and a 14-storied office building. Total investment of Baht 311.5 million was spent on a new office building of the Company that will be able to generate income and to yield a properrate of return on investment.

## 4.3 Liquidity

At the end of 2016, the Company's liquidity ratio was 0.7 identical to the prior year. The ratio was seemingly low because operating cash flow was spent on payment for land purchase in the Bang Pu Nua Industrial Estate during the year 2015 - 2016 without recourse to outside sources of fund.

To comply with a risk-diversifying financial policy, the Company applied credit lines with more than one financial institutions. At the end of 2016, available short-term lines of credit from financial institutions were sufficient for the increasing volume of business expansion.

Moreover, the Company was able to issue a bill of exchange (B/E) directly in the capital market to borrow at lower interest rates than the average ones offered by the banks. The issued B/E had a maturity period of 3 - 6 months. Successfully direct financing from the capital market will alternatively increase financing capacity for short term needs.

## (5) Commitments

As at 31 December 2016

Unit : Million Baht

Commitments	Total	Maturity period		
		Less than 1 year	1 - 3 years	Over 3 years
Long -term loans	530.7	87.5	179.0	264.2

## Factors or Events that could materially affect financial position or operations in the future

Factors affecting operations in the future are summarized as follows:-

1. **Economic condition** is one of the factors that have a direct impact on the Company's operating results. Obviously, as a result of the continuing economic slowdown in the prior year, consumers cut unnecessary spending resulting in higher business competition. To keep the customer base and revenue growth rate, the Company has launched a sales promotion campaign through all channels continuously, hence substantial increase in selling and administrative expenses.
2. **Fluctuations of meat prices as raw materials**, especially fish products, are another risk factor of the Company's operating results because the fish products are the main raw materials for our processed seafood products, the sales of which account for 33% of the total sales. To adapt to the situation, the Company adjusted food processing formulas to be less dependent on fresh fish as raw material and increase inventory management efficiency.
3. **Modern retailers or ' Modern Trade '** probably raise slotting fees and other related expenses every year.





## Report on the Board's Responsibility for Financial Reports

The Board of Directors is responsible for financial statements of S. Khonkaen Foods Public Company Limited and for consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries, as well as for financial information appearing in the Annual Report. These financial statements have been prepared in conformity with generally accepted accounting standards with the selection of appropriate and regularly applied accounting policies and the exercise of careful discretion and the use of optimum estimates for such preparation, as well as with significant information to be sufficiently disclosed in the notes to the financial statements so that it is transparently beneficial to shareholders and general investors. In addition, these financial statements have been audited with unqualified opinions given by an independent auditor.

For this purpose, the Board of Directors has appointed the Audit and Corporate Governance Committee comprising 3 independent directors to perform the duty to oversee and verify the financial reports, the internal control and internal audit system, the risk management system and to consider disclosures of information on interrelated transactions. The Audit and Corporate Governance Committee's opinions about this subject appear in the Audit and Corporate Governance Committee's report, which is indicated in this Annual Report.

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries have been audited by the Company's auditor, namely, EY Office Company Limited. In the audits, the Board of Directors has provided supporting information and documentation to enable the auditor to perform the audits and express its opinions in accordance with audit standards. The auditor's opinions appear in the independent auditor's report, which is indicated in this Annual Report.

In the Board's opinion, the overall system of internal control of the Company is at a sufficiently efficient and suitable level, which can provide a reasonable basis for one to believe that the financial statements of S. Khonkaen Foods Public Company Limited and the consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries for the year ended 31st December 2016 are reliable, with generally accepted accounting standards adhered to and the pertinent laws



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



(Mr. Charoen Rujirasopon)  
Chief Executive Officer



S. Khonkaen Foods Public Company Limited  
and its subsidiaries

Report and consolidated financial statements  
31 December 2016

# Independent Auditor's Report

To the Shareholders of S. Khonkaen Foods Public Company Limited

## Opinion

I have audited the accompanying consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of S. Khonkaen Foods Public Company Limited for the same period.

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 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

## Basis for Opinion

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

## Key Audit Matters

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

## Revenue recognition

The revenue from sales is the most significant amount in the statement of income and is also the key indicator of business performance on which the users of financial statements focus. In addition, the Company has a significant number of trading transactions. There is therefore a risk of the Company recognising revenue that has not actually occurred.

I have examined the revenue recognition of the Company by

- Assessing and testing the Company's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales and service agreements to assess whether revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Company's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Company issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

## Inventory

Estimating the net realisable value of inventory, as disclosed in Note 10 to the financial statements, is an area of significant management judgment corroborated with actual fact, particularly with regard to the estimation of provision for diminution in the value of slow-moving and obsolete inventory. This requires detailed analysis of the product life cycle, the competitive environment, economic circumstances and the situation within the industry. There is a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed and tested the internal controls of the Company relevant to the determination of provision for diminution in the value of inventory by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I also assessed the method and the assumptions applied by management in determining such provision. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, and the rationale for the recording of specific provisions.
- Comparing the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover.
- Comparing proceeds from sales transactions occurring after the date of the financial statements with the cost of inventory for each product line.
- Analysing consumer trends identified through benchmarking and external market data to assess the key assumptions underlying sales forecasts by product line prepared by the Company's management.
- Comparing historical data of actual losses on sales and write-offs of inventory during each of the previous 5 years with the provision for diminution in value of inventory recorded at the preceding year-end.



## Other Information

Management is responsible for the other information. The other information comprises the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sophon Permsirivallop.



Sophon Permsirivallop  
Certified Public Accountant (Thailand) No. 3182

EY Office Limited  
Bangkok: 23 February 2017

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

**Statement of financial position**

**As at 31 December 2016**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		(Restated)			
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	79,306,777	66,761,657	49,701,239	35,844,996
Trade and other receivables	7, 9	397,202,951	392,763,662	387,538,864	378,546,824
Short term loans to subsidiaries	7	-	-	151,747,839	102,173,068
Inventories	10	149,451,753	148,384,796	98,754,643	97,430,679
Current biological assets	15	52,009,926	42,933,435	-	-
Other current assets		4,429,628	5,475,873	3,361,154	2,981,192
<b>Total current assets</b>		<b>682,401,035</b>	<b>656,319,423</b>	<b>691,103,739</b>	<b>616,976,759</b>
<b>Non-current assets</b>					
Restricted bank deposits	11	2,300,054	1,371,224	-	-
Loan to other company		5,000,000	5,000,000	5,000,000	5,000,000
Investments in subsidiaries	12	-	-	302,688,198	306,688,198
Investment properties	13	628,096,959	328,283,237	364,207,726	55,030,000
Property, plant and equipment	14	928,145,613	825,432,837	411,466,079	359,435,088
Non-current biological assets	15	17,018,829	21,793,241	-	-
Leasehold right on buildings	16	2	998,974	2	998,974
Intangible assets	17	17,348,126	19,834,144	16,650,581	19,510,676
Deferred tax assets	27	833,938	4,120,863	-	-
Other non-current assets		10,224,946	10,107,947	9,393,260	9,546,925
<b>Total non-current assets</b>		<b>1,608,968,467</b>	<b>1,216,942,467</b>	<b>1,109,405,846</b>	<b>756,209,861</b>
<b>Total assets</b>		<b>2,291,369,502</b>	<b>1,873,261,890</b>	<b>1,800,509,585</b>	<b>1,373,186,620</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 2016**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2016	31 December 2015	31 December 2016	31 December 2015
			(Restated)		
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	18	550,518,642	550,889,385	506,174,516	476,725,432
Trade and other payables	7, 19	277,644,735	255,479,356	207,980,575	201,538,883
Short term loan from subsidiary	7	-	-	30,000,000	46,000,000
Current portion of financial lease payables	20	1,557,712	1,664,623	706,151	765,301
Current portion of long-term loans	21	87,503,291	53,323,386	27,900,291	13,460,386
Income tax payable		14,840,219	16,274,090	8,337,901	7,015,885
Other current liabilities		19,923,618	19,869,860	13,789,341	14,482,830
Total current liabilities		951,988,217	897,500,700	794,888,775	759,988,717
Non-current liabilities					
Financial lease payables, net of current portion	20	794,763	1,949,076	242,833	948,991
Long-term loans, net of current portion	21	443,269,597	199,154,183	299,113,597	19,766,183
Deferred tax liabilities	27	2,408,221	5,810,571	2,182,221	5,444,210
Other non-current liabilities		7,021,307	9,456,563	3,738,287	462,411
Provision for long-term employee benefits	22	63,155,740	59,488,132	42,412,014	38,371,261
Total non-current liabilities		516,649,628	275,858,525	347,688,952	64,993,056
Total liabilities		1,468,637,845	1,173,359,225	1,142,577,727	824,981,773

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 2016**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
			(Restated)		
<b>Shareholders' equity</b>					
Share capital	23				
Registered					
32,340,000 ordinary shares of Baht 10 each					
(31 December 2015: 24,255,000 ordinary share					
of Baht 10 each)		323,400,000	242,550,000	323,400,000	242,550,000
Issued and fully paid					
32,340,000 ordinary shares of Baht 10 each					
(31 December 2015: 24,255,000 ordinary share					
of Baht 10 each)		323,400,000	242,550,000	323,400,000	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	25	32,340,000	24,255,000	32,340,000	24,255,000
Unappropriated		289,993,762	255,612,670	173,743,722	152,951,711
Other components of shareholders' equity		88,577,533	88,585,037	78,167,136	78,167,136
Equity attributable to owners of the Company		822,144,448	698,835,860	657,931,858	548,204,847
Non-controlling interests of the subsidiaries		587,209	1,066,805	-	-
<b>Total shareholders' equity</b>		<b>822,731,657</b>	<b>699,902,665</b>	<b>657,931,858</b>	<b>548,204,847</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,291,369,502</b>	<b>1,873,261,890</b>	<b>1,800,509,585</b>	<b>1,373,186,620</b>

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



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

**Statement of income**

**For the year ended 31 December 2016**

(Unit: Baht)				
Note	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Revenues</b>				
Sales	2,639,619,295	2,378,557,557	1,863,834,939	1,695,786,322
Revenue from rental and service	14,595,452	-	14,595,452	-
Dividend income	-	-	70,950,237	43,896,877
Other income	9,268,708	11,020,000	15,827,805	8,938,525
Gain on sale of assets	28,359,582	4,728,010	-	1,642,867
Gain on change in fair value less costs to sell of biological assets	8,319,651	-	-	-
<b>Total revenues</b>	<b>2,700,162,688</b>	<b>2,394,305,566</b>	<b>1,965,208,433</b>	<b>1,750,264,591</b>
<b>Expenses</b>				
Cost of sales	1,816,107,398	1,614,538,982	1,238,650,279	1,115,050,954
Cost of rental and service	8,442,038	-	8,442,038	-
Selling expenses	378,443,069	298,483,645	340,692,678	267,289,283
Administrative expenses	323,275,726	305,193,569	250,139,329	243,777,121
<b>Total expenses</b>	<b>2,526,268,231</b>	<b>2,218,216,196</b>	<b>1,837,924,324</b>	<b>1,626,117,358</b>
<b>Profit before finance cost and income tax expenses</b>	<b>173,894,457</b>	<b>176,089,370</b>	<b>127,284,109</b>	<b>124,147,233</b>
Finance cost	(37,103,278)	(23,746,003)	(25,662,597)	(15,845,682)
<b>Profit before income tax expenses</b>	<b>136,791,179</b>	<b>152,343,367</b>	<b>101,621,512</b>	<b>108,301,551</b>
Income tax expenses	27 (27,953,681)	(30,096,818)	(6,043,251)	(12,863,819)
<b>Profit for the year</b>	<b>108,837,498</b>	<b>122,246,549</b>	<b>95,578,261</b>	<b>95,437,732</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	109,167,342	123,490,078	95,578,261	95,437,732
Non-controlling interests of the subsidiaries	(329,844)	(1,243,529)		
	<u>108,837,498</u>	<u>122,246,549</u>		
<b>Earnings per share</b>				
28 Basic earnings per share				
Profit attributable to equity holders of the Company	3.80	5.09	3.33	3.93

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

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Profit for the year</b>	108,837,498	122,246,549	95,578,261	95,437,732
<b>Other comprehensive income:</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of financial statements in foreign currency	(7,504)	(40,592)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Changes in revaluation of assets	-	(914,285)	-	-
Less: Income tax effect	-	182,857	-	-
Actuarial loss - net of income tax	-	(22,893,077)	-	(19,456,813)
Less: Income tax effect	-	4,578,616	-	3,891,363
Other comprehensive income for the year	(7,504)	(19,086,481)	-	(15,565,450)
<b>Total comprehensive income for the year</b>	108,829,994	103,160,068	95,578,261	79,872,282
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	109,159,838	104,411,411	95,578,261	79,872,282
Non-controlling interests of the subsidiaries	(329,844)	(1,251,343)		
	108,829,994	103,160,068		

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 2016**

(Unit: Baht)

Consolidated financial statements												
	Equity attributable to owners of the Company											
	Other components of equity holders											
	Other comprehensive income											
	Issued and fully paid-up share capital	Share premium	Share premium on treasury stock	Retained earnings	Exchange differences on translation of financial statements in foreign currency	Surplus on revaluation of land	Surplus on revaluation of land of subsidiaries	Surplus 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
<b>Balance as at 1 December 2015</b>	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	664,674,839
Profit for the year	-	-	-	-	123,490,078	-	-	-	-	123,490,078	(1,243,529)	122,246,548
Other comprehensive income for the year	-	-	-	-	(18,308,988)	(40,592)	-	(729,087)	(769,679)	(19,078,667)	(7,814)	(19,086,481)
Total comprehensive income for the year	-	-	-	-	105,181,090	(40,592)	-	(729,087)	(769,679)	104,411,411	(1,251,343)	103,160,068
Increase in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	857,577	857,577
Change in shareholder's equity of subsidiaries	-	-	-	-	-	-	-	(1,147,458)	(1,147,458)	(1,147,458)	-	(1,147,458)
Dividend paid (Note 30)	-	-	-	-	(66,701,250)	-	-	-	-	(66,701,250)	-	(66,701,250)
<b>Balance as at 31 December 2015</b>	242,550,000	50,281,000	37,552,153	24,255,000	256,553,778	(15,031)	78,167,136	9,930,672	502,260	88,585,037	699,776,968	700,843,777
<b>Balance as at 31 December 2015 - as previously reported</b>	242,550,000	50,281,000	37,552,153	24,255,000	256,553,778	(15,031)	78,167,136	9,930,672	502,260	88,585,037	699,776,968	700,843,777
Cumulative effect of adoption new accounting policy (Note 4)	-	-	-	-	(941,108)	-	-	-	-	(941,108)	-	(941,108)
<b>Balance as at 31 December 2015 - as restated</b>	242,550,000	50,281,000	37,552,153	24,255,000	255,612,670	(15,031)	78,167,136	9,930,672	502,260	88,585,037	698,835,860	699,902,666
Profit for the year	-	-	-	-	109,167,342	-	-	-	-	109,167,342	(329,844)	108,837,498
Other comprehensive income for the year	-	-	-	-	(7,504)	-	-	-	(7,504)	(7,504)	-	(7,504)
Total comprehensive income for the year	-	-	-	-	109,167,342	(7,504)	-	-	(7,504)	109,159,838	(329,844)	108,829,994
Decrease in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(149,752)	(149,752)
Increase share capital (Note 23)	80,850,000	-	-	-	-	-	-	-	-	80,850,000	-	80,850,000
Transfer to statutory reserve	-	-	-	8,085,000	(8,085,000)	-	-	-	-	-	-	-
Dividend paid (Note 30)	-	-	-	-	(66,701,250)	-	-	-	-	(66,701,250)	-	(66,701,250)
<b>Balance as at 31 December 2016</b>	323,400,000	50,281,000	37,552,153	32,340,000	289,893,762	(22,535)	78,167,136	9,930,672	502,260	88,577,533	822,144,448	822,731,655

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 2016**

(Unit: Baht)

	Separate financial statements					
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity holders	
			Appropriated	Unappropriated	Other comprehensive	
					income	Surplus on revaluation of land
Balance as at 1 January 2015	242,550,000	50,281,000	24,255,000	139,780,679	78,167,136	535,033,815
Profit for the year	-	-	-	95,437,732	-	95,437,732
Other comprehensive income for the year	-	-	-	(15,565,450)	-	(15,565,450)
Total comprehensive income for the year	-	-	-	79,872,282	-	79,872,282
Dividend paid (Note 30)	-	-	-	(66,701,250)	-	(66,701,250)
Balance as at 31 December 2015	242,550,000	50,281,000	24,255,000	152,951,711	78,167,136	548,204,847
Balance as at 1 January 2016	242,550,000	50,281,000	24,255,000	152,951,711	78,167,136	548,204,847
Profit for the year	-	-	-	95,578,261	-	95,578,261
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	95,578,261	-	95,578,261
Increase share capital (Note 23)	80,850,000	-	-	-	-	80,850,000
Transfer to statutory reserve	-	-	8,085,000	(8,085,000)	-	-
Dividend paid (Note 30)	-	-	-	(66,701,250)	-	(66,701,250)
Balance as at 31 December 2016	323,400,000	50,281,000	32,340,000	173,743,722	78,167,136	657,931,858

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

## Cash flow statement

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Profit before income tax expenses	136,791,179	152,343,367	101,621,512	108,301,551
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:				
Allowance for doubtful accounts of other receivables	(174,428)	783,020	(15,700)	783,020
Depreciation	75,467,557	57,195,438	35,386,918	31,144,284
Depreciation - stud swine	8,163,588	6,891,972	-	-
Amortisation of leasehold right on buildings	495,381	998,973	495,381	998,973
Amortisation of intangible assets	3,054,383	2,912,604	2,933,280	2,824,632
Deferred rental expense	207,436	328,410	117,436	238,410
Allowance for impairment of assets (reversal)	10,456,327	(98,158)	10,406,308	(98,158)
Allowance for impairment of investment in subsidiaries	-	-	4,000,000	-
Reversal of reduction of inventory to net realisable value	3,623,220	5,034,978	1,240,997	5,034,978
Write-off equipment and computer software	5,662,610	257,982	5,662,610	249,876
Write-off leasehold right on buildings	503,591	-	503,591	-
(Gain) loss on sales of land and equipment	(2,177,896)	(3,162,739)	62,097	(142,871)
Gain on sales of investment property	(28,544,592)	(1,500,000)	-	(1,500,000)
Gain on sales of stud swine	(2,483,852)	(5,465,943)	-	-
Gain on changes in fair value less costs to sell of biological assets	(8,319,651)	-	-	-
Unrealised (gain) loss on exchange	(201,683)	138,698	23,546	234,682
Provision for long-term employee benefits	7,481,227	3,382,236	5,244,273	1,783,906
Interest expenses	37,103,278	23,746,003	25,662,597	15,845,682
Interest income	(322,358)	(323,548)	(5,051,049)	(4,252,872)
Dividend income	-	-	(70,950,237)	(43,896,877)
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>246,785,317</b>	<b>243,463,293</b>	<b>117,343,560</b>	<b>117,549,216</b>
Operating assets (increase) decrease				
Trade and other receivables	(4,000,632)	(29,355,868)	(8,776,536)	(27,573,491)
Inventories	(4,690,178)	(15,899,439)	(2,564,961)	1,119,156
Current biological assets	(7,505,096)	-	-	-
Other current assets	1,046,245	(1,680,397)	(379,962)	(1,853,682)
Other non-current assets	(116,999)	2,169,768	153,665	2,405,664
Operating liabilities increase (decrease)				
Trade and other payables	8,769,183	(3,081,760)	409,030	(10,810,202)
Other current liabilities	53,759	4,927,742	(693,490)	3,583,816
Other non-current liabilities	(2,642,692)	2,581,474	3,158,440	-
Cash paid for long-term employee benefits	(3,813,619)	(4,087,143)	(1,203,520)	(2,556,239)
<b>Cash flows from operating activities</b>	<b>233,885,288</b>	<b>199,037,670</b>	<b>107,446,226</b>	<b>81,864,238</b>
Cash paid for corporate income tax	(29,500,943)	(28,741,282)	(7,983,224)	(8,406,009)
<b>Net cash flows from operating activities</b>	<b>204,384,345</b>	<b>170,296,388</b>	<b>99,463,002</b>	<b>73,458,229</b>

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



	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Increase in restricted bank deposits	(928,830)	(19,332)	-	-
Cash paid for shares of non-controlling interest	-	(1,147,458)	-	-
Increase in investment in subsidiary	-	-	-	(14,499,300)
Short-term loans to subsidiaries	-	-	(49,800,000)	(5,000,000)
Loan to other company	-	(5,000,000)	-	(5,000,000)
Acquisition of property, plant and equipment	(152,995,265)	(184,939,600)	(63,952,527)	(62,437,976)
Acquisition of stud swine and feed costs	(1,060,060)	(8,171,514)	-	-
Acquisition of computer software	(607,980)	(4,256,146)	(112,800)	(4,159,646)
Acquisition of investment property	(312,981,698)	(3,938,938)	(311,481,698)	-
Cash paid for a deposit purchase of land	(33,250,000)	(48,750,000)	(33,250,000)	(48,750,000)
Increase in non-current biological assets	(457,525)	(889,898)	-	-
Proceeds from sales of land and equipments	10,714,579	6,708,707	1,895,819	652,533
Proceeds from sales of stud swine	7,360,516	7,928,059	-	-
Proceeds from sales of investment property	39,358,577	9,000,000	-	9,000,000
Cash received from interest income	257,778	320,864	5,052,927	4,086,632
Dividend received	-	-	70,950,237	43,896,877
<b>Net cash flows used in investing activities</b>	<b>(444,589,908)</b>	<b>(233,155,256)</b>	<b>(380,698,042)</b>	<b>(82,210,880)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(370,743)	122,966,758	29,449,084	105,162,591
Increase (decrease) in short-term loan from subsidiary	-	-	(16,000,000)	2,000,000
Cash receipt from long-term loans	342,449,661	103,101,448	320,249,661	31,801,448
Cash paid for long-term loans	(64,154,342)	(27,129,647)	(26,462,342)	(13,437,647)
Decrease in financial lease payable	(1,757,724)	(3,144,414)	(765,308)	(2,141,127)
Cash paid for interest expenses	(37,407,663)	(27,233,958)	(25,528,562)	(15,527,287)
Cash receipt from share capital increase	80,850,000	-	80,850,000	-
Proceeds from share payment from non-controlling interest of the subsidiaries	-	1,000,700	-	-
Dividend paid to non-controlling interests of the subsidiaries	(149,752)	(143,123)	-	-
Dividend paid	(66,701,250)	(66,701,250)	(66,701,250)	(66,701,250)
<b>Net cash flows from financing activities</b>	<b>252,758,187</b>	<b>102,716,514</b>	<b>295,091,283</b>	<b>41,156,728</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,552,624</b>	<b>39,857,646</b>	<b>13,856,243</b>	<b>32,404,077</b>
Translation adjustment	(7,504)	(40,592)	-	-
Cash and cash equivalents at beginning of year	66,761,657	26,944,603	35,844,996	3,440,919
<b>Cash and cash equivalents at end of year</b>	<b>79,306,777</b>	<b>66,761,657</b>	<b>49,701,239</b>	<b>35,844,996</b>
<b>Supplemental cash flows information</b>				
Non-cash items transaction				
Purchase of equipment for which cash has not been paid	13,204,771	9,687,805	5,898,629	8,142,218
Purchases of equipment by financial lease agreements	496,500	-	-	-
Interest recorded as property plant and equipment	495,811	4,016,087	-	-
Unrealised gain on revaluation of assets	-	731,428	-	-

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 2016**

**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 Company's top 5 major shareholders as at 14 March 2016 the latest closing date of the share register book, are as follows:

	Percentage of shareholding (based on paid-up capital)
1. Rujirasopon family	55.96
2. Mr. Ayut Charnsettikul	5.11
3. KBL EUROPEAN PRIVATE BANKERS S.A.	4.29
4. Ms. Aurapan Assamongkol	3.22
5. Mr. Tanathip Pichetawanitchoke	2.90

The registered office of the Company is at 259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), Phraknong 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	
			2016 Percent	2015 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 products	Thailand	99	99
3D Food and Beverage Co., Ltd.	Restaurant business and distribution of food and beverage	Thailand	100	100
S. Training Center Co., Ltd.	Training and seminar service	Thailand	100	100
Thai Home Food (Bangkok) Co., Ltd.	Restaurant business and distribution of food and beverage and franchise business	Thailand	79	79
S. Khonkaen Foods (Netherlands) B.V.	Distribution of processed products	The Netherlands	100	100

- b) The Company is deemed to have control over an investee or subsidiaries 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.
- c) 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.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) 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.

### 3. New financial reporting standards

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

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements except for the following new financial reporting standard and accounting treatment guidance.

#### **TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant**

TAS 41 and the Accounting Treatment Guidance for bearer plants prescribe the accounting treatment for living animals or plants ("biological assets") and the harvested produce of such biological assets ("agricultural produce") related to an agricultural activity. The principles are as follows:

- A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- When the biological asset is a bearer plant, accounting treatment in accordance with TAS 16 (revised 2015) Property, Plant and Equipment is to be applied. However, produce growing on a bearer plant, which are biological assets, is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

Applying this accounting standard requires the Company and its subsidiaries to change their accounting treatment for agricultural produce and produce growing on bearer plants, with feeding swine, breeding stock and plant cost that were previously recognised at cost being recognised at fair value less costs to sell. The cumulative effect of the change in accounting policy is presented in Note 4 to the financial statements.

#### (b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. 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 standards.

The management of the Company and its subsidiaries believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

## TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

### 4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3 to the financial statements, during the current period, the Company and its subsidiaries have changed their accounting policy related to agricultural activities and elected to recognise the effect of the change as an adjustment to the opening balance of retained earnings as at 1 January 2016.

The change has the effect of decreasing the opening balance of retained earnings in the consolidated financial statements by Baht 0.94 million. The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

	(Unit: Million Baht)
	As at 31 December 2015
	Consolidated financial statements
<b>Statements of financial position:</b>	
Decrease in current biological assets	(1.18)
Increase in deferred tax assets	0.24
Decrease in unappropriated retained earnings	(0.94)

	(Unit: Million Baht)
	For the year ended 31 December 2016
	Consolidated financial statements
<b>Statements of comprehensive income</b>	
<b>Profit or loss:</b>	
Increase in gains on change in fair value less costs to sell of biological assets	8.32
Increase in net profit	8.32
<b>Earnings per share (Baht):</b>	
Increase in basic earnings per share	1.85



## **5. Significant accounting policies**

### **5.1 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.

#### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### *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.

### **5.2 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.

### **5.3 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.

### **5.4 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.

### **5.5 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.

## 5.6 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).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

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.

## 5.7 Property, plant and equipment and depreciation

Land is stated at cost. Buildings, equipment and bearer plant are stated at cost or revalued amount 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 decrease 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 Surplus on Land Revaluation increase 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 and bearer plant 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
Bearer plant	5 years

No depreciation is provided on construction in progress and bearer plant during planting.

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.

## 5.8 Biological assets

Biological assets are measured at fair value less costs to sell (incremental costs directly attributable to the disposal of biological assets). If the fair value cannot be measured reliably, it is measured at cost less accumulated depreciation and accumulated impairment losses. Gains or losses on changes in fair value less cost of sales are recognised in profit or loss.

Current biological assets, comprising fattening swine and harvested agricultural produce, are presented under the caption “Current assets”. Non-current biological assets, comprising stud swine and bearer plants, are presented under the caption “Non-current assets” in the statement of financial position.

## 5.9 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.

## 5.10 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:

	Useful lives
Computer software	5 - 10 years

## 5.11 Related party transactions

Related parties comprise individuals or enterprises 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 or enterprises 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.

### 5.12 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.

### 5.13 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.

### 5.14 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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.

## 5.15 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.

## 5.16 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.

## 5.17 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.



### 5.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximise the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## 6. 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 have 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.

### Allowance for diminution in value of inventory

The determination of allowance for diminution in the value of inventory requires the management to exercise judgement in estimating losses on outstanding inventories, based on the selling price expected in the ordinary course of business; minus selling expenses and provision for obsolete, slow-moving and deteriorated inventories, and taking into account the approximate useful life of each type of inventories.

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

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models.

The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **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 as described in Note 14.

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.

### **Biological assets and agricultural produce**

Fattening swine are measured at their fair value less costs to sell. This fair value is measured with reference to the quoted prices of fattening swine at the reporting date, after deducting estimated costs to sell. The fair value of harvested agricultural produce is measured with reference to the quoted prices of such produce after deducting costs to sell at the point of harvest. The measurement of fair value related to biological assets and agricultural produce involves certain assumptions and some estimations, such as feed costs of fattening swine and costs to sell.

### **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.

## 7. 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		Separate		
	financial statements		financial statements		
	2016	2015	2016	2015	Transfer Pricing Policy
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	34,957	31,495	Gross profit of 7% - 15%
Rental income	-	-	295	98	Mutually agreed agreement
Service income	-	-	7,225	1,001	Agreed price
Sales of equipment and supplies	-	-	150	395	Agreed price
Dividend income	-	-	70,950	43,897	As declared
Interest income	-	-	4,787	3,962	3.86% - 4.50% per annum
Purchases of goods	-	-	314,332	306,797	Cost plus margin 5% - 20%
Rental expenses	-	-	-	90	Mutually agreed agreement
Purchases of equipment and supplies	-	-	933	407	Agreed price
Interest expenses	-	-	808	1,068	3% per annum

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<u>Trade and other receivables - related parties</u>				
(Note 9)				
Subsidiaries	-	-	17,021	7,535
<u>Trade and other payables - related parties</u>				
(Note 19)				
Subsidiaries	-	-	21,383	20,963

### Loans related parties and loans from related party

As at 31 December 2016 and 2015, the balance of loans between the Company and those related companies and the movement are as follows:

(Unit: Thousand Baht)

		Separate financial statements			
Loans to related parties	Related by	Balance as at 31 December 2015	Increase during the year	Decrease during the year	Unrealised Gain/loss on exchange
					Balance as at 31 December 2016
Mahachai Food Processing Co., Ltd.	Subsidiary	94,000	29,000	(6,000)	-
S. Pasusat Co., Ltd.	Subsidiary	2,500	40,000	(14,500)	-
S. Training Center Co., Ltd.	Subsidiary	-	300	-	-
Thai Home Food (Bangkok) Co., Ltd.	Subsidiary	-	1,000	-	-
S. Khonkaen Foods (Netherlands) B.V.	Subsidiary	5,673	-	-	(225)
<b>Total</b>		<b>102,173</b>	<b>70,300</b>	<b>(20,500)</b>	<b>(225)</b>

(Unit: Thousand Baht)

		Separate financial statements			
Loan from a related party	Related by	Balance as at 31 December 2015	Increase during the year	Decrease during the year	Balance as at 31 December 2016
S.K.K. Food Co., Ltd.	Subsidiary	46,000	30,000	(46,000)	30,000

### Directors and management's benefits

During the year ended 31 December 2016 and 2015, 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	
	2016	2015	2016	2015
Short -term employee benefits	30,316	76,005	16,760	62,464
Post -employment benefits	1,108	1,448	378	1,057
<b>Total</b>	<b>31,424</b>	<b>77,453</b>	<b>17,138</b>	<b>63,521</b>

### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 31.3 (3) to the financial statements.

## 8. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Cash	1,675	1,303	817	1,017
Bank deposits	77,632	65,459	48,884	34,828
Total	79,307	66,762	49,701	35,845

As at 31 December 2015, bank deposits in saving accounts carried interests between 0.125 and 0.75 percent per annum (2015: between 0.125 and 0.75 percent per annum).

## 9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	4,339	2,259
Total trade receivables - related parties	-	-	4,339	2,259
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	380,576	379,105	354,917	361,263
Past due				
Up to 3 months	5,812	7,758	5,812	5,463
3 - 6 months	16	39	16	39
6 - 12 months	79	133	79	-
Over 12 months	2	309	2	284
Total	386,485	387,344	360,826	367,049
Less: Allowance for doubtful debts	(48)	(206)	(48)	(48)
Total trade receivables - unrelated parties, net	386,437	387,138	360,778	367,001
Total trade receivables, net	386,437	387,138	365,117	369,260



	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<u>Other receivables</u>				
Advances - related party	-	-	12,003	4,531
Interest receivable - related party	-	-	679	745
Advance to employees	322	765	321	765
Others	11,163	4,861	10,138	3,246
Total	11,485	5,626	23,141	9,287
Less: Allowance for doubtful debts	(719)	-	(719)	-
Total other receivables	10,766	5,626	22,422	9,287
Total trade and other receivables - net	397,203	392,764	387,539	378,547

## 10. Inventories

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	Cost		Reduce cost to net		Inventory - net	
	2016	2015	realisable value		2016	2015
Finished goods	39,981	35,891	(799)	(312)	39,182	35,579
Work in process	17,313	19,499	(43)	(453)	17,270	19,046
Raw materials	49,908	48,977	(8,447)	(6,279)	41,461	42,698
Packing materials	35,871	37,126	(1,378)	-	34,493	37,126
Spare parts and factory supplies	8,238	5,728	-	-	8,238	5,728
Animal foods and vaccine for swine	5,466	4,941	-	-	5,466	4,941
Raw materials for production of animal foods	3,342	3,267	-	-	3,342	3,267
Total	160,119	155,429	(10,667)	(7,044)	149,452	148,385

## Separate financial statements

	Cost		Reduce cost to net realisable value		Inventory - net	
	2016	2015	2016	2015	2016	2015
Finished goods	31,785	28,586	(504)	(312)	31,281	28,274
Work in process	17,313	19,499	(43)	(453)	17,270	19,046
Raw materials	26,140	24,373	(7,738)	(6,279)	18,402	18,094
Packing materials	27,599	29,275	-	-	27,599	29,275
Spare parts and factory supplies	4,203	2,742	-	-	4,203	2,742
<b>Total</b>	<b>107,040</b>	<b>104,475</b>	<b>(8,285)</b>	<b>(7,044)</b>	<b>98,755</b>	<b>97,431</b>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 11.1 million (the Company only: Baht 8.7 million 2015: Baht 9.1 million), to reflect the net realisable value. This was included in administrative expenses. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 7.5 million (the Company only: Baht 7.5 million 2015: Baht 4 million), and reduced the amount of inventories recognised as expenses during the year.

## 11. Restricted bank deposits

These represent fixed deposits pledged with the banks to secure credit facilities.

## 12. 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		Allowance for impairment loss		Cost - net	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
			(Percent)	(Percent)						
S. Pasusat Co., Ltd.	Baht 45 million	Baht 45 million	100	100	44,968	44,968	-	-	44,968	44,968
S.K.K. Food Co., Ltd.	Baht 120 million	Baht 120 million	99	99	119,225	119,225	-	-	119,225	119,225
Mahachai Food Processing Co., Ltd.	Baht 85 million	Baht 85 million	99	99	127,992	127,992	-	-	127,992	127,992
3D Food and Beverage Co., Ltd.	Baht 10 million	Baht 10 million	100	100	10,000	10,000	(2,000)	-	8,000	10,000
S. Training Center Co., Ltd.	Baht 0.5 million	Baht 0.5 million	100	100	500	500	-	-	500	500
Thai Home Food (Bangkok) Co., Ltd.	Baht 5 million	Baht 5 million	79	79	3,999	3,999	(2,000)	-	1,999	3,999
S. Khonkaen Foods (Netherlands) B.V.	EUR 100	EUR 100	100	100	4	4	-	-	4	4
					<u>306,688</u>	<u>306,688</u>	<u>(4,000)</u>	<u>-</u>	<u>302,688</u>	<u>306,688</u>

### 13. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

	(Unit: Thousand Baht)					
	Consolidated financial statements			Separate financial statements		
	Land awaiting sale	Office building for rent	Total	Land awaiting sale	Office building for rent	Total
31 December 2016						
Cost	581,787	74,528	656,315	311,725	74,528	386,253
Less: Accumulated depreciation	-	(2,304)	(2,304)	-	(2,304)	(2,304)
Less: Allowance for diminution in value	(25,914)	-	(25,914)	(19,741)	-	(19,741)
Net book value	555,873	72,224	628,097	291,984	72,224	364,208

	(Unit: Thousand Baht)					
	Consolidated financial statements			Separate financial statements		
	Land awaiting sale	Office building for rent	Total	Land awaiting sale	Office building for rent	Total
31 December 2015						
Cost	354,247	-	354,247	74,771	-	74,771
Less: Allowance for diminution in value	(25,964)	-	(25,964)	(19,741)	-	(19,741)
Net book value	328,283	-	328,283	55,030	-	55,030

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net book value at beginning of year	328,283	328,283	55,030	55,030
Acquisition of assets	312,982	-	311,482	-
Disposals - net book value	(10,814)	-	-	-
Depreciation charged	(2,304)	-	(2,304)	-
Reversal of impairment loss	(50)	-	-	-
Net book value at end of year	628,097	328,283	364,208	55,030

The fair value of the investment properties as at 31 December 2016 and 2015 stated below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Land awaiting sale	724,922	487,969	291,983	55,030
Office building for rent	74,528	-	74,528	-

The fair value of the land awaiting sale has been determined based on market prices performed by an accredited independent valuer.

As at 31 December 2016, the Company and its subsidiaries have mortgaged an investment property with a net book value of Baht 441 million (2015: Baht 132 million) with commercial banks to secure against credit facilities of the Company and its subsidiaries (The Company only: Baht 364 million, 2015: Baht 55 million).

## 14. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Revaluation basis		Cost basis				
	Land	Land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress
<b>Cost / Revalued amount:</b>							
1 January 2015	182,835	23,515	303,928	312,312	58,885	56,385	212,514
Additions	48,975	-	11,310	18,361	10,503	475	157,769
Disposals	(2,620)	(913)	(1,131)	(2,248)	(1,092)	(1,761)	-
Write-off	-	-	(259)	(21,150)	(6,670)	-	(148)
Transfers in (out)	-	347	186,337	103,982	5,459	-	(296,125)
31 December 2015	229,190	22,949	500,185	411,257	67,085	55,099	74,010
Additions	33,250	3,142	4,176	20,020	10,040	12,553	117,262
Disposals	-	-	(674)	(3,894)	(3,864)	(10,425)	(400)
Write-off	-	-	(6,814)	(7,936)	(2,841)	-	-
Transfers in (out)	-	-	97,171	50,632	7,151	-	(154,954)
31 December 2016	262,440	26,091	594,044	470,079	77,571	57,227	35,918

## Consolidated financial statements

	Revaluation		Cost basis					Total
	basis							
	Land	Land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	
<b>Accumulated depreciation:</b>								
1 January 2015	-	7,348	177,370	238,827	41,673	38,378	-	503,596
Depreciation for the year	-	795	20,455	22,199	7,061	6,685	-	57,195
Depreciation on disposals	-	-	(1,018)	(2,126)	(829)	(1,515)	-	(5,488)
Depreciation on write-off	-	-	(259)	(21,084)	(6,626)	-	-	(27,969)
31 December 2015	-	8,143	196,548	237,816	41,279	43,548	-	527,334
Depreciation for the year	-	809	27,990	30,981	8,147	5,245	-	73,172
Depreciation on disposals	-	-	(143)	(3,297)	(1,659)	(5,662)	-	(10,761)
Depreciation on write-off	-	-	(2,303)	(7,616)	(2,009)	-	-	(11,928)
31 December 2016	-	8,952	222,092	257,884	45,758	43,131	-	577,817
<b>Allowance for impairment loss:</b>								
1 January 2015	6,977	-	-	66	63	-	-	7,106
Decrease during the year	-	-	-	(57)	(41)	-	-	(98)
31 December 2015	6,977	-	-	9	22	-	-	7,008
Increase during the year	-	-	7,969	157	2,273	-	-	10,399
31 December 2016	6,977	-	7,969	166	2,295	-	-	17,407
<b>Net book value:</b>								
31 December 2015	222,213	14,806	303,637	173,432	25,784	11,551	74,010	825,433
31 December 2016	255,463	17,139	363,983	212,029	29,518	14,096	35,918	928,146
<b>Depreciation for the year</b>								
2015 (Baht 24 million included in manufacturing cost, and the balance in selling and administrative expenses)								57,195
2016 (Baht 49 million included in manufacturing cost, and the balance in selling and administrative expenses)								73,172



	Revaluation							
	basis	Cost basis						
			Buildings	Machinery	Furniture,			
		Land	and building	and	fixtures and	Motor	Construction	
	Land	improvement	improvement	equipment	equipment	vehicles	in progress	Total
Cost / Revalued amount:								
1 January 2015	130,692	2,247	160,841	230,829	51,385	31,758	2,883	610,635
Additions	48,750	-	1,976	13,612	8,802	-	46,190	119,330
Disposals	-	-	(66)	(1,940)	(1,092)	(1,761)	-	(4,859)
Write-off	-	-	-	(21,142)	(6,597)	-	(148)	(27,887)
Transfers in (out)	-	-	13,411	17,672	5,414	-	(36,497)	-
31 December 2015	179,442	2,247	176,162	239,031	57,912	29,997	12,428	697,219
Additions	33,250	-	2,900	16,942	5,315	2,316	42,380	103,103
Disposals	-	-	(675)	(3,344)	(2,325)	(1,405)	-	(7,749)
Write-off	-	-	(6,814)	(7,936)	(2,841)	-	-	(17,591)
Transfers in (out)	-	-	26,310	17,989	3,252	-	(47,551)	-
31 December 2016	212,692	2,247	197,883	262,682	61,313	30,908	7,257	774,982

**Accumulated depreciation:**

1 January 2015	-	2,247	90,153	182,182	35,754	21,282	-	331,618
Depreciation for the year	-	-	8,427	12,200	6,326	4,191	-	31,144
Depreciation on disposals	-	-	(66)	(1,940)	(829)	(1,514)	-	(4,349)
Depreciation on write-off	-	-	-	(21,084)	(6,553)	-	-	(27,637)
31 December 2015	-	2,247	98,514	171,358	34,698	23,959	-	330,776
Depreciation for the year	-	-	8,810	14,584	6,929	2,767	-	33,090
Depreciation on disposals	-	-	(143)	(3,038)	(1,245)	(1,404)	-	(5,830)
Depreciation on write-off	-	-	(2,303)	(7,615)	(2,009)	-	-	(11,927)
31 December 2016	-	2,247	104,878	175,289	38,373	25,322	-	346,109

**Allowance for impairment loss:**

1 January 2015	6,977	-	-	66	63	-	-	7,106
Decrease during the year	-	-	-	(57)	(41)	-	-	(98)
31 December 2015	6,977	-	-	9	22	-	-	7,008
Increase during the year	-	-	7,969	157	2,273	-	-	10,399
31 December 2016	6,977	-	7,969	166	2,295	-	-	17,407

	Revaluation							
	basis	Cost basis						
		Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	
Land	improvement	improvement	equipment	equipment	vehicles	in progress	Total	
Net book value:								
31 December 2015	172,465	-	77,648	67,664	23,192	6,038	12,428	359,435
31 December 2016	205,715	-	85,036	87,227	20,645	5,586	7,257	411,466
Depreciation for the year								
2015 (Baht 10 million included in manufacturing cost, and the balance in selling and administrative expenses)								31,144
2016 (Baht 14 million included in manufacturing cost, and the balance in selling and administrative expenses)								33,090

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 cost method, their net book values as of 31 December 2016 and 2015 would have been as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Land	68,958	68,958	31,785	31,785

During the year ended 31 December 2016, the Company and its subsidiaries capitalised included borrowing costs as cost of assets amounting to Baht 0.5 million (2015: Baht 4 million) with capitalisation rate of 3.24 - 6.50%.

As at 31 December 2016, the Company and its subsidiaries have equipment acquired under financial lease agreement, with net book value amounting to approximately Baht 42 million (2015: Baht 37 million) (The Company only: Baht 40 million, 2015: Baht 35 million).

As at 31 December 2016, 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 340 million (2015: Baht 309 million) (The Company only: Baht 219 million, 2015: Baht 216 million).

The Company and its subsidiaries have mortgaged a plot of land and building constructed thereon and machinery with a total net book value of Baht 354 million as collateral for credit facilities granted by commercial banks (2015: Baht 336 million) (The Company only: Baht 124 million, 2015: Baht 142 million).

## 15. Biological assets

Movements of the biological assets account for the year ended 31 December 2016 is summarised below.

	(Unit: Thousand Baht)
	Consolidated financial statements
<b>Balance as at 1 January 2016</b>	64,726
Increases due to purchases/feeding	213,273
Decreases due to sale	(214,928)
Depreciation	(2,362)
Gains arising from changes in fair value less costs to sell	8,320
<b>Balance as at 31 December 2016</b>	<b>69,029</b>

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2016	2015
<b><i>Current biological assets</i></b>		
Fattening swine	52,010	42,933
<b>Total current biological assets</b>	<b>52,010</b>	<b>42,933</b>
<b><i>Non-current biological assets</i></b>		
Bearer plant	1,348	890
Breeding stock	15,671	20,903
<b>Total non-current biological assets</b>	<b>17,019</b>	<b>21,793</b>
<b>Total</b>	<b>69,029</b>	<b>64,726</b>

Stud swine are presented at cost less accumulated depreciation and accumulated impairment losses (except for fattening swine, which are presented at fair value less costs to sell, with fair value measured with reference to the quoted market price at the reporting date) because their market prices or fair values at present condition are unavailable; and valuation based on a discounted cash flow method is considered unreliable given the uncertainty with respect to external factors such as climate, weather, plague, etc.

Biological assets that are bearer plants comprise lemon trees under planting process and are presented at cost less accumulated depreciation and accumulated impairment losses.

Costs of biological assets includes all costs incurred from the acquisition of the assets and during the period of growth, e.g., cost of new-born swine, feed costs and other farming costs.

Stud swine are depreciated using the straight-line method over the useful period of approximately 3 years and bearer plants are depreciated using the straight-line method over the productive period of approximately 5 years.

### Fair value measurement

(Unit: Thousand Baht)				
Consolidated financial statements				
As at 31 December 2016				
	Level 1	Level 2	Level 3	Total
Biological assets at fair value				
less cost to sell				
Fattening swine	-	15,273	36,737	52,010

The valuation techniques and the inputs used in measuring the fair value of fattening swine aged 7 - 11 weeks and over 24 weeks are categorised as level 2 in the fair value hierarchy, with the market comparison approach used with quoted market prices as at the reporting date.

The valuation technique and significant unobservable inputs used in measuring the fair value of new born fattening swine to the age of 6 weeks and from 12 to 23 weeks are categorised at level 3 on the fair value hierarchy, based on the inputs presented in the following table.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Reference to market price less estimated feeding cost of swine to reach certain weight or age that swine could be sold	Reference to market price on the reporting date <ul style="list-style-type: none"> <li>Fattening swine weight of 16 kilograms Baht 1,800 per head</li> <li>Fattening swine weight 95 - 120 kilograms Baht 59 per kilogram</li> <li>Fattening swine weight over 120 kilograms Baht 40 per kilogram</li> </ul>	On the reporting date, if transaction price increases (decreases) by 10%, the estimated fair value of swine will increase (decreased) by Baht 5.2 million (Baht 4.5 million).

The fair values of biological assets are determined by the Group's management systematically. Measurements of fair value are categorised into the hierarchy with reference to the market prices of swine, which are quoted on a per animal or per weight basis.

#### 16. Leasehold right on buildings

	(Unit: Thousand Baht)	
	Consolidated/	
	Separate financial statements	
	2016	2015
Warehouse	4,222	4,222
Leased space in shopping center	4,855	4,855
Total	9,077	9,077
	(504)	-
Less: Accumulated amortisation	(8,573)	(8,078)
Leasehold rights - net	-	999
Amortisation expenses for the year	-	999



## 17. Intangible assets

The net book value of intangible assets as at 31 December 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	Financial statements	
	Consolidated financial statements	Separate financial statements
As at 31 December 2016		
Cost	35,372	34,056
Less: Accumulated amortisation	(18,024)	(17,405)
Net book value	17,348	16,651
As at 31 December 2015		
Cost	34,827	34,006
Less: Accumulated amortisation	(14,993)	(14,495)
Net book value	19,834	19,511

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2016	2015	2016	2015
Net book value at beginning of year	19,834	18,491	19,511	18,176
Acquisition of computer software	608	4,256	113	4,160
Amortisation	(3,054)	(2,913)	(2,933)	(2,825)
Disposal - net book value	(40)	-	(40)	-
Net book value at end of year	17,348	19,834	16,651	19,511

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

	Interest rate (percent per annum)	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
		2016	2015	2016	2015
Bank overdrafts	6.75 - 8.125	16,121	52,474	1,777	8,310
Short-term loans from financial institutions	3.00 - 3.25	534,398	498,415	504,398	468,415
Total		550,519	550,889	506,175	476,725

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.

## 19. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Trade payables - related parties	-	-	21,157	20,520
Trade payables - unrelated parties	173,283	164,075	104,673	103,662
Advance from related parties	-	-	130	321
Interest payables - related parties	-	-	96	122
Accrued sale promotion	54,835	54,370	54,835	54,370
Accrued expenses	35,283	26,362	20,957	14,223
Payables for equipment	13,205	9,688	5,899	8,142
Others	1,039	984	234	179
Total trade and other payables	277,645	255,479	207,981	201,539

## 20. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Liabilities under finance lease	2,539	3,971	1,050	1,930
Less: Deferred interest expense	(186)	(357)	(101)	(216)
Total	2,353	3,614	949	1,714
Less: Portion due within one year	(1,558)	(1,665)	(706)	(765)
Liabilities under finance lease agreement - net of current portion	795	1,949	243	949

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of vehicles, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are 3 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 2016			As at 31 December 2015		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	1,693	846	2,539	1,875	2,096	3,971
Deferred interest expenses	(135)	(51)	(186)	(210)	(147)	(357)
Present value of future minimum lease payments	1,558	795	2,353	1,665	1,949	3,614

(Unit: Thousand Baht)

	Separate financial statements					
	As at 31 December 2016			As at 31 December 2015		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	788	262	1,050	880	1,050	1,930
Deferred interest expenses	(82)	(19)	(101)	(115)	(101)	(216)
Present value of future minimum lease payments	706	243	949	765	949	1,714

## 21. Long-term loans

As at 31 December 2016 and 2015, long-term loans are presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Loans from banks	530,773	252,477	327,014	33,226
Less: Current portion of long-term loans	(87,503)	(53,323)	(27,900)	(13,460)
Net	443,270	199,154	299,114	19,766

Movements in the long-term loans account during the years ended 31 December 2016 and 2015 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2015	178,649	17,006
Add: Additional borrowings	100,957	29,657
Less: Repayment	(27,129)	(13,437)
Balance as at 31 December 2015	252,477	33,226
Add: Additional borrowings during the year	342,450	320,250
Less: Repayment during the year	(64,154)	(26,462)
Balance as at 31 December 2016	530,773	327,014

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 annum)	Repayment
	2016 (Thousand Baht)	2015		
S. Khonkaen Foods Pcl.	-	3,750	MLR	Monthly repayment started in June 2010
	-	709	Year 1 MLR- fixed amount	Monthly repayment started in June 2012
	24,273	-	Year 2-4 MLR Fixed amount	Monthly repayment started in June 2016
	32,741	28,767	Fixed amount	Monthly repayment started in December 2016
	270,000	-	Fixed amount	Monthly repayment started in June 2017
Mahachai Food Processing Co., Ltd.	9,920	19,760	MLR	Monthly repayment started in May 2013
	96,000	108,300	MLR- fixed amount	Monthly repayment started in December 2015
	86,000	75,500	MLR- fixed amount	Monthly repayment started in December 2016
S. Pasusat Co., Ltd.	11,839	15,691	Year 1 MLR- fixed amount Year 2-6 MLR	Monthly repayment started in July 2013
<b>Total</b>	<b>530,773</b>	<b>252,477</b>		

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

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

As at 31 December 2016, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 88.7 million (2015: Baht 46.9 million) (The Company only: Baht 64.7 million, 2015: Baht 0.7 million).

## 22. 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:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2016	2015	2016	2015
<b>Provisions for long-term employee benefits at beginning of year</b>	59,488	37,300	38,371	19,687
Included in profit or loss:				
Current service cost	5,759	2,286	4,151	1,212
Interest cost	1,722	1,096	1,093	572
Included in other comprehensive income:				
Actuarial loss arising from				
Demographic assumptions changes	-	12,427	-	11,561
Financial assumptions changes	-	1,520	-	175
Experience adjustments	-	8,946	-	7,720
Benefits paid during the year	(3,813)	(4,087)	(1,203)	(2,556)
<b>Provisions for long-term employee benefits at end of year</b>	<b>63,156</b>	<b>59,488</b>	<b>42,412</b>	<b>38,371</b>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2016	2015	2016	2015
Current service cost	5,759	2,286	4,151	1,212
Interest cost	1,722	1,096	1,093	572
<b>Total expense recognised in profit or loss</b>	<b>7,481</b>	<b>3,382</b>	<b>5,244</b>	<b>1,784</b>
Line items in profit or loss under which such expenses are included				
Selling and administrative expenses	7,481	3,382	5,244	1,784

The Company and its subsidiaries expect to pay Baht 6.6 million of long-term employee benefits during the next year (The Company only: Baht 4.5 million) (2015: Baht 1.3 million, The Company only: Baht 1.1 million).



As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 12 years (The Company only: 10 years) (31 December 2015: 12 years, The Company only: 10 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Discount rate	2.57 - 3.07	2.57 - 3.07	2.57	2.57
Salary increase rate	6.35 - 6.94	6.35 - 6.94	6.94	6.94
Turnover rate	0.00 - 51.00	0.00 - 51.00	0.00 - 51.00	0.00 - 51.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 are summarised below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	61,769	69,965	40,168	45,153
Salary increase rate	70,371	61,329	45,411	39,889
Turnover rate	61,725	69,647	40,047	45,308

## 23. Share capital

On 28 April 2016, the Annual General Meeting of the Company's shareholders approved an increase in its registered share capital from Baht 242.55 million to Baht 323.40 million, through the issuance of 8,085,000 ordinary shares with a par value of Baht 10 each. Such shares are to be allocated to its existing shareholders at the ratio of one new share for three existing shares at Baht 10 each. If there are shares remaining from the offering to the existing shareholders, the Company will allocate the residual shares to the existing shareholders who subscribe to the newly issued shares in excess of their allotted amount, in proportion to their respective share holding at the same offering price.

On 14 June 2016, the Company amended its memorandum of association by incorporating the increase in its registered share capital from Baht 242.55 million to Baht 323.40 million.

## 24. Revaluation surplus

This represents surplus arising from revaluation of land. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

## 25. 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.

## 26. Expenses by nature

Significant expenses classified by nature are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2016	2015	2016	2015
Salaries and wages and other				
employee benefits	581,300	504,770	522,191	448,863
Depreciation and amortisation	87,181	67,999	38,816	34,968
Rental expenses from operating lease				
agreements	34,069	28,227	28,452	25,700
Raw materials and consumables used	1,324,592	1,245,541	1,040,202	956,571
Changes in inventories of finished				
goods and work in process	10,909	7,121	1,014	(4,518)
Sale promotion expenses	181,638	165,136	181,638	164,853

## 27. Income taxes

Income tax expenses for the year ended 31 December 2016 and 2015 are made up as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2016	2015	2016	2015
<b>Current income tax:</b>				
Current income tax charge	28,067	32,191	9,305	13,753
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(113)	(2,094)	(3,262)	(889)
<b>Income tax expenses reported</b>				
<b>in profit or loss</b>	<b>27,954</b>	<b>30,097</b>	<b>6,043</b>	<b>12,864</b>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Accounting profit before tax	136,791	152,343	101,622	108,302
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	27,358	30,469	20,324	21,660
Adjustment in respect of income tax of previous year				
Effects of:				
Non-deductible expenses	2,362	887	2,101	567
Additional expense deductions allowed	(1,333)	(1,423)	(885)	(921)
Exempted revenue	(33)	-	(14,190)	(8,779)
Others	(400)	164	(1,307)	337
Total	596	(372)	(14,281)	(8,796)
Income tax expenses reported in the income statement	27,954	30,097	6,043	12,864

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	
	2016	2015	2016	2015
<b>Deferred tax assets</b>				
Allowance for doubtful	153	157	153	157
Allowance for diminution in value of inventories	2,133	1,409	1,657	1,409
Decrease in revalued land awaiting sale	6,578	5,193	5,344	3,948
Impairment on assets	2,620	1,934	2,620	1,934
Impairment on investment	1,192	392	1,192	392
Depreciation of breeding stocks	659	476	-	-
Provision for long-term employee benefits	11,313	11,899	8,482	7,674
Unused tax loss	359	1,288	-	-
Deferred rental expenses	156	113	116	93
Total deferred tax assets	25,163	22,861	19,564	15,607

(Unit: Thousand Baht)

## Statements of financial position

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b>Deferred tax liabilities</b>				
Cost of swine	(262)	(264)	-	-
Cost of machinery and equipment	(3,293)	(2,533)	(2,204)	(1,509)
Unrealised gain from revaluation of land	(21,989)	(21,989)	(19,542)	(19,542)
	(1,193)	-	-	-
Total deferred tax liabilities	(26,737)	(24,786)	(21,746)	(21,051)
Net deferred tax assets (liabilities)	(1,574)	(1,691)	(2,182)	(5,444)
<b>Deferred tax assets (liabilities) presented in statement of financial position</b>				
Deferred tax assets	834	4,120	-	-
Deferred tax liabilities	(2,408)	(5,811)	(2,182)	(5,444)
Net deferred tax assets (liabilities)	(1,574)	(1,691)	(2,182)	(5,444)

As at 31 December 2016, two subsidiaries have deductible temporary differences and unused tax losses totaling Baht 8.3 million, on which deferred tax assets have not been recognised as those subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

## 28. Basic earnings per share

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.

Basic earnings per share are calculated as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Weighted average number	109,167,342	123,490,078	95,578,261	95,437,732
of ordinary shares (shares)	28,707,288	24,255,000	28,707,288	24,255,000
Earnings per share (Baht/share)	3.80	5.09	3.33	3.93

## 29. 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 2015 and 2014, respectively.



(Unit: Thous

	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 financial statement
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
													2016
Revenue from external customers	1,859,674	1,667,912	231,252	1,788	224,426	202,183	324,267	506,675	2,639,619	2,378,558	-	-	2,639,619
Inter-segment revenue	22,131	31,244	555,792	673,087	-	-	-	-	577,923	704,331	(577,923)	(704,331)	-
Interest income	5,060	4,264	5	5	3	4	849	1,082	5,917	5,355	(5,595)	(5,031)	322
Interest expense	25,696	15,846	15,040	11,005	1,296	1,608	666	318	42,698	28,777	(5,595)	(5,031)	37,103
Depreciation and amortisation	39,981	35,622	28,054	14,994	17,752	16,299	1,515	1,132	87,302	68,047	(121)	(48)	87,181
Sale promotion expenses	181,638	164,853	2,839	-	-	-	16	283	184,493	165,136	-	-	184,493
Income tax expenses	6,967	11,941	3,097	955	5,591	6,259	12,299	10,942	27,954	30,097	-	-	27,954
<b>Segment profit</b>	635,043	583,094	95,068	51,082	30,177	35,857	63,127	93,962	823,415	763,995	97	24	823,512
<b>Segment total assets</b>													
As at 31 December	1,951,366	1,504,128	607,288	581,220	176,460	142,429	213,178	270,324	2,948,292	2,498,101	(656,922)	(624,839)	2,291,370
<b>Segment total liabilities</b>													
As at 31 December	1,157,264	829,701	442,398	429,993	75,089	40,277	16,755	77,302	1,691,506	1,377,273	(223,220)	(203,914)	1,468,286

## Geographic information

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

	(Unit: Thousand Baht)	
	2016	2015
Revenue from external customers		
Thailand	2,479,440	2,229,556
Others	160,179	149,002
Total	2,639,619	2,378,558

## Major customers

For the year 2016, the Company and its subsidiaries have revenue from two major customers in the amounts of Baht 680 million and Baht 301 million, arising from sales by production and distribution of processed food from pork segment (2015: Baht 565 million and Baht 309 million derived from two major customers in same segment).

## 30. Dividends

The Company declared dividends in the years 2015 and 2014 as follows.

		(Unit: Baht)	
	Approved by	Total dividends	Dividend per share
Dividend for 2015	Annual General Meeting of the shareholders on 28 April 2016	66,701,250	2.75
Dividend for 2014	Annual General Meeting of the shareholders on 27 April 2015	66,701,250	2.75

## 31. Commitments and contingent liabilities

### 31.1 Capital commitments

As at 31 December 2016, the Company and its subsidiaries had capital commitments of approximately Baht 60 million relating to the construction of factory building and machinery (2015: Baht 127 million) (The Company only: Baht 58 million, 2015: Baht 103 million).

### 31.2 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		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Payable:				
In up to 1 year	49,872	36,610	40,505	32,374
In over 1 year and up to 5 years	34,747	32,477	29,145	27,109
In over 5 years	9,720	10,380	-	-

### 31.3 Guarantees

- (1) As at 31 December 2016, the subsidiaries have pledged their bank deposits to secure against a fuel credit card and letter of guarantee issued by bank of Baht 2 million and Baht 0.2 million, respectively (31 December 2015: Baht 1.1 million 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 2016 and 2015, the Company has the obligations in respect of guarantees to its subsidiaries provided to banks for loan facilities of Baht 342 million (2015: Baht 342 million).
- (4) As at 31 December 2016, there were outstanding consolidated bank guarantees of approximately Baht 6.7 million issued by the banks on behalf of the Company and its subsidiaries in respect of guarantees for electricity use (2015: Baht 5 million) (The Company only: Baht 4.6 million, 2015: Baht 3.4 million).

### 32. Fair value hierarchy

As at 31 December 2016, the Company and its subsidiaries had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Land	-	255	-	255
Current biological assets	-	15	37	52
<b>Assets for which fair value are disclosed</b>				
Investment property	-	556	72	628

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Land	-	222	-	222
Current biological assets	-	21	22	43
<b>Assets for which fair value is disclosed</b>				
Investment property	-	328	-	328

(Unit: Million Baht)

	Separate financial statements			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Land	-	206	-	206
<b>Assets for which fair value is disclosed</b>				
Investment property	-	292	72	364

	(Unit: Million Baht)			
	Consolidated financial statements			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Land	-	172	-	172
<b>Assets for which fair value are disclosed</b>				
Investment property	-	55	-	55

### 33. Financial instruments

#### 33.1 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 they have 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 their 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.

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.



(Unit: Thousand Baht)

## Consolidate financial statements

As at 31 December 2016

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial Assets</b>							
Cash and cash equivalents	-	-	-	79,307	-	79,307	0.125 - 0.750
Trade and other receivable	681	-	-	-	396,522	397,203	4.500
Deposits at bank with restrictions	-	2,300	-	-	-	2,300	0.900 - 2.000
Loan to other company	-	-	-	5,000	-	5,000	MOR+2
	681	2,300	-	84,307	396,522	483,810	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							MOR,
from financial institutions	-	-	-	550,519	-	550,519	7.000 - 7.980
Trade and other payables	-	-	-	-	277,645	277,645	-
Long-term loans	125,403	405,370	-	-	-	530,773	MLR, MLR-2, 5.000
	125,403	405,370	-	550,519	277,645	1,358,937	

(Unit: Thousand Baht)

## Consolidated financial statements

As at 31 December 2015

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial Assets</b>							
Cash and cash equivalents	-	-	-	66,762	-	66,762	0.125 - 0.75
Trade and other receivable	3,016	-	-	-	389,748	392,764	4.50
Deposits at bank with restrictions	-	1,371	-	-	-	1,371	1.70 - 1.75
Loan to other company	-	-	-	5,000	-	5,000	MOR+2
	3,016	1,371	-	71,762	389,748	465,897	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	-	-	-	550,889	-	550,889	3.00 - 8.125
Trade and other payables	-	-	-	-	255,479	255,479	-
Long-term loans	54,023	200,598	-	-	-	254,621	MLR, 4.00
	54,023	200,598	-	550,889	255,479	1,060,989	

(Unit: Thousand Baht)

## Separate financial statements

As at 31 December 2016

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum.)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	49,701	-	49,701	0.125 - 0.750
Trade and other receivable	681	-	-	-	386,858	387,539	4.500
Short-term loans to subsidiaries	-	-	-	151,748	-	151,748	3.238 - 3.778
Loan to other company	-	-	-	5,000	-	5,000	MOR+2
	681	-	-	206,449	386,858	593,988	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans							
from financial institutions	-	-	-	506,175	-	506,175	7.000 - 7.500
Trade and other payable	-	-	-	-	207,981	207,981	-
Short-term loans from subsidiaries	-	-	-	30,000	-	30,000	3.000 - 3.300
Long-term loans	27,900	299,114	-	-	-	327,014	MLR, MLR-2, 5.000
	27,900	299,114	-	536,175	207,981	1,071,170	

(Unit: Thousand Baht)

## Separate financial statements

As at 31 December 2015

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum.)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	35,845	-	35,845	0.125 - 0.75
Trade and other receivable	3,016	-	-	-	375,531	378,547	4.50
Short-term loans to subsidiaries	-	-	-	102,173	-	102,173	3.86 - 4.50
Loan to other company	-	-	-	5,000	-	5,000	MOR+2
	3,016	-	-	143,018	375,531	521,565	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans							
from financial institutions	-	-	-	476,725	-	476,725	3.00 - 8.125
Trade and other payable	-	-	-	-	201,539	201,539	-
Short-term loans from subsidiaries	46,000	-	-	-	-	46,000	3.00
Long-term loans	14,160	21,210	-	-	-	35,370	MLR, 4.00
	60,160	21,210	-	476,725	201,539	759,634	

### Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions and loans 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.

As at 31 December 2016 and 2015, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	2016	2015	2016	2015	2016	2015
(Baht per 1 foreign currency unit)						
US dollar	59,188	77,731	-	-	35.6588	36.0886
HKD	4,032,011	1,995,034	-	-	4.5796	4.6579
EUR	-	-	59,577	37,341	38.1362	39.4388

As at 31 December 2015, foreign exchange contracts outstanding are summarised below.

As at 31 December 2015					
	Bought	Sold	Contractual exchange rate		Contractual
Foreign currency	amount	amount	Bought amount	Sold amount	maturity date
			(Baht per 1 foreign currency unit)		
US dollar	270,000	-	35.8950	-	24 February 2016

### 33.2 Fair values of financial instruments

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

### 34. 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 2016, the Group's debt-to-equity ratio was 1.79:1 (2015: 1.68:1) and the Company's was 1.74:1 (2015: 1.51:1).

### **35. Events after the reporting period**

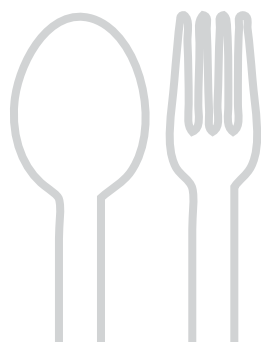
The meeting of the Company's Board of Directors held on 23 February 2017 passed a resolution to propose to the Annual General Meeting of Shareholders that a dividend in respect of the operating results be paid to the Company's shareholders for the year 2015. The Company will pay a cash dividend at Baht 2.75 per share, or equivalent to amount of not exceeding Baht 88.9 million. The dividend will be paid and accounted for after the approval of the Annual General Meeting of the shareholders.

### **36. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2017.







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