

Form 56-2

Annual Report

Year Ending 31 December 2016

Food and Drinks Public Company Limited

เครื่องดื่ม ตรา ZUMMER



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➤ Summary of Financial Information

Financial Information

	Unit: Baht		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Current Assets	165,448,725	188,422,872	273,888,276
Investment accounted for under equity method	161,552,539	149,903,723	136,403,379
Property, plant and equipment	387,886,857	336,429,016	576,084,600
Cost of rubber plantation	20,136,698	22,071,740	22,582,590
Other non - current assets	12,858,548	16,169,471	8,132,894
Total Assets	747,883,367	713,898,152	1,017,993,069
Current Liabilities	185,293,666	252,026,712	360,533,405
Liabilities under finance lease agreements, net of current portion	5,016,241	2,112,948	240,457
Long-term loan from financial institution, net of current portion	-	-	2,100,000
Provision for long-term employee benefits	19,846,827	22,362,959	24,974,611
Deferred tax liabilities	19,290,258	1,449,546	56,742,028
Total Liabilities	229,446,992	277,952,165	444,590,501
Registered Capital	150,000,000	150,000,000	150,000,000
Paid-up Capital	150,000,000	150,000,000	150,000,000
Share Premium	99,425,000	99,425,000	99,425,000
Revaluation Surplus	140,721,100	140,721,100	342,801,100
Legal Reserve	15,431,000	15,431,000	15,431,000
Unappropriated Retained Earnings	112,859,275	30,368,887	(34,254,532)
Total Shareholders' Equity	518,436,375	435,945,987	573,402,568
Net Sales	475,023,139	464,270,414	731,236,579
Other income	10,837,466	12,773,141	8,793,639
FX Gain/(Loss)	951,554	1,387,179	(13,523)
Impairment loss on assets	-	20,837,371	-
Share of profit from investment accounted for	10,953,110	8,129,969	140,198
Loss before Income Tax	(32,776,320)	(100,331,100)	(59,850,936)
Income tax	(8,302,565)	(17,840,712)	4,772,483
Net Loss for the Year	(24,473,755)	(82,490,388)	(64,623,419)
Changes in revaluation of land	-	-	252,600,000
Less: Income tax effect	-	-	(50,520,000)
Loss per Share	(1.63)	(5.50)	(4.31)

Financial Ratio

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Gross Margin	8.6 %	4.7 %	8.4 %
Operating Profit	-9.4 %	-23.7 %	-8.2 %
Net Profit	-5.0 %	-17.3 %	-8.7 %
Debt/Equity Ratio	0.4 times	0.6 times	0.8 times
Dividend/Earnings Ratio	0 %	0%	*

* To be approved at the Annual General Shareholders Meeting 1/2017 on 27 April 2017

Message from the Board of Directors

Dear Shareholders

In 2016, the overall economy is recovering in the United States of America, European Union, Japan. However, the values of various currencies are not stable. The company's sales has increased and so is the cost of production. Thus, the company's operating result is better than the previous year. Sales from export had increased 21.4% and domestic sale had increase 21.4%. Total sales amount to Baht 731.2 million i.e. increased of Baht 267.0 million or 57.5% from the previous year.

Since 2014 until 2016, the company has started to develop a new line product, ready-to-eat, in both chilled and frozen, such that consumers can just heat in microwave and ready to eat. Sales had continued to increase in 2016. This has resulted in higher domestic sales.

The operating result in 2016 has a net loss of Baht 64.6 million. This includes gain of Shares of Profit from Investment of Baht 0.1 million. This is equal to the loss of Baht 4.31 per share. The book value as of 31 December 2016 is equal to Baht 38.23 (2015: Baht 29.06)

For 2017, the world economy is expected to continue to be fluctuates. The company still has to follow the situation closely and carefully plan its strategy to balance among its marketing, production, and management in order to maintain its competitiveness. The company will continue to develop its brand name "Zummer" by expanding the market into countries in AEC such as Cambodia and Burma. In addition, there will be emphasis in developing new products for the ready-to-eat products under brand "Besto" to provide choices for consumers. The company will continue to maintain its relationship with existing customers, while developing new customer base, and support further development of R&D to compete and maintain its position in the market place.

The Company has the determination and intention to progress with the cooperation from the staff, management, and Board of Directors to bring the best to its customers in international recognized quality, prompt delivery, and trusts. In addition, we appreciate the support from our business partners, government agencies, financial institutions, suppliers, and every shareholder. We will continue to pursue our growth along with our vision, and deliver quality products to the marketplace.

The Board of Directors would like to take this opportunity to express our sincere appreciated to all.



Phirasilp Subhapholsiri
Chairman



Kasem Deemaitree
Chief Executive Director

Policy and Overview of the Business

Food and Drinks Public Co., Ltd. was established in 1985. The company's main business is manufacturing food and beverage according to customers' requirement under customer's brand name including company's own brand product. The company's business involved selling to both domestic market and export to more than 10 countries such as Australia, Japan, United Kingdom, the Netherlands, USA, Germany and countries in AEC; including indirect export through companies in Thailand. The export ratio to domestic market is equal to 46.9 : 53.1 in 2016.

The company's vision is to become one of the most recognized food manufacturers characterized by modern technology, high productivity, quality, safety, competitive pricing and timely delivery. ROE target is 12%, provide good working environment, appropriate return, working efficiently and proud in company's success.

The company continuously develops both new products and extension to existing product line to fulfill customers' requirements by developing product together with existing customers.

In 1993, became public company and listed in the Stock Exchange of Thailand in 1994 with the registered capital of Baht125 million.

In 2004, the company has expanded the production line to include beverage in plastic bottles; and have a joint venture with Hon Chuan (Thailand) Company Limited to set up Hon Chuan FD Packaging Company Limited in which Food and Drinks Public Company Limited hold 35% for the production of plastic bottles, caps and shrink films.

In 2009, the company has increased its registered capital to Baht 150 million with 15,000,000 shares and the paid up capital was Baht 150 million. This step has strengthened the company's financial position.

In 2011, the company has invested in bean sprouting factory for the purpose of producing its own raw materials for export, and sale in the domestic market. In addition, the company has renovated its fruit and vegetable production line in order to keep up with the international standard requirement.

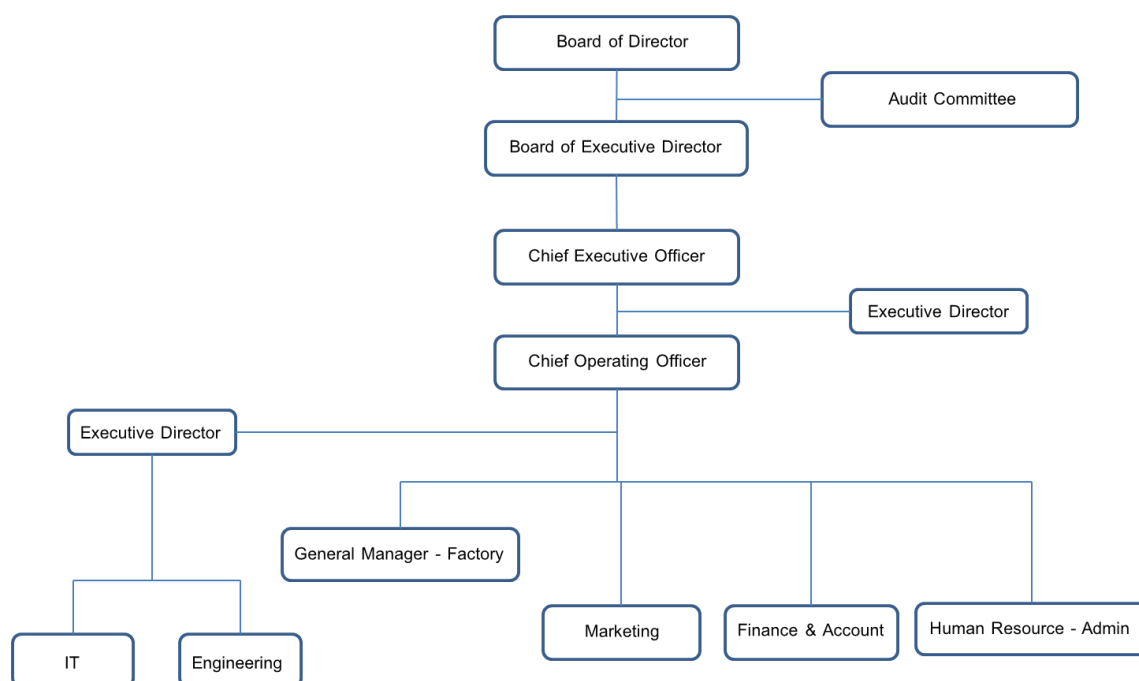
In 2012, the company invested in rubber plantation in the unused land, which was classified as land awaiting for development in order to utilize company's asset to provide return by invested more than Baht 14 million in the first year with additional investment about Baht 4 million every year until it can start to generate income in the next 5-6 years. We intercropping banana in 2015.



In 2013, the company developed new beverage products under brand “ZUMMER”. There are 2 types of beverage i.e. plum juice with plum and aloe vera juice with aloe vera bits with honey and lime.



Also in 2013, the company has reorganized its structure for suitability in the current business operation and for the future development.



In 2014, the company developed new product group, Ready-to-eat, in both chilled and frozen format by renovated existing production area with some new machines to suitable for this product group.



In 2015, the company has expanded its beverage line of “Zummer” by adding a new line called “Zummer Mocktail”.



The company's operating result in 2016 has net loss of Baht 64.6 million including profit sharing from joint venture company in Baht 0.1 million which make net loss per share equal to 4.31 Baht and book value per share as at 31 December 2016 is 38.23 Baht.

➤ **Business Activities**

Important change and improvement

In 2014-2016, the major change in the business is in the production and marketing of Ready-to-eat chilled and frozen food. By concentrate in create company's own brand product such that company's product and reputation will be better known, and to create sustainable long term income and profit in the company. As a result, this will also create employee's pride in their company.

Business activities

Food and Drinks Public Co., Ltd. is in the main business of manufacture and sales of food and beverage products according to customer's order and requirement both for export and local markets. The food products include processed fruits, vegetables, and meat products. The type of products depends on customers' requirement. The product types vary without any specific. The company will consider the capacity of the machineries available, ability to source raw materials, and the regulations required by exporting countries. The company uses the same standard for the production and sales for both export and local markets.

Company's business policy is to concentrate mainly in product quality. Most of the company's product is Premium Grade made from natural raw material. Therefore most of our export customer is high ended – medium customer. Most of customer has long tern relationship more than decade and have a good relationship with the company because they are confident in product quality.

Company's main products are fruit, vegetable, curry paste, curry sauce, spices, cooking sauce, fruit and vegetable beverages. This includes mixing many of above ingredients to make a new product which is company's strategy to reduce the risk on marketing and raw material. The direct export ratio is 46.9% and domestic sales is 53.1%.

The company has permit and license to operate factory and food business. It has received GMP certification from Thai Ministry of Health, HACCP from TQCS International (Group Pty Ltd. and Global Standard for Food Safety (BRC Certificate Body) by NSF Certification from U.K.

The detail of company's products for both export and local markets are as follows

1. Fruits/vegetables/spices and food in sealed containers.

Products are aloe vera, bamboo shoot, mango, and mixed fruits and vegetables.

Spices are lemon grass, chilli, coriander and curry pastes packed in glass jar, retort pouch or can. Media for fruit and vegetable is brine, vinegar, syrup or water.

2. Meat products packed in sealed container.

Products are meat prepared according to customers' requirement, packed in cans or pouches for sale in both domestic and export.

3. Frozen vegetables/fruit and ready to eat

Products are aloe vera, mango, and others that are washed, cut, trimmed, and frozen.

4. Juices and Beverage

Products are fruit and vegetable juices, and ready-to-drink tea packed in can or PET bottle. Some raw materials are from fresh fruits and vegetables used in above products.

5. Ready-to-Eat

Products are food that the consumers can eat right after heating them up in the microwaves. There is chilled and frozen product such as rice with chicken basil stir fried, minced chicken with hot yellow curry paste, steamed glutinous rice in banana leaf, papaya salad. By developed and sold more than 20 menus in 2014, increase to more than 40 menus in 2015 and increase to more than 30 menus in 2016 for an alternative choice to consumer.

Marketing

The market of the company is for both export and local without limiting the type of products. When customers want to export the products, the company will have to consider the rules and regulations of the exporting countries. Therefore, the strategy that the company used for product development for export is to cooperate with customer to produce the products according to customers' concept, and comply with the rules and regulations. This is to ensure that customers will have confidence about the quality. As for domestic market, the company produces products under its own brand name, and under the same quality standard as for export. At the same time, the company also uses the same concept for co-packing products for customers.

Export

Current export market covers all continents and more than 10 countries with countries in AEC (51%) as the biggest market, and follow by European Union (17%), Japan (16%), Australia (9%), the United States of America (6%), and others (1%).

Part of the export market is indirect export via trading companies in Thailand. One of the main markets is Australia, which accounted for 34% of direct export.

The exporting products covered all the products that the company produces. The company has the policy to expand to other markets. The reason is not only to increase sales, but also to reduce the risk.

Channels of expanding the market include attending exhibitions, and working with new and existing customers.

Domestic

The company works with various trading companies in the county, and considers this as the major business. Some companies are buy-and-sell. Thus, although the business is a domestic market, but it's also part of the major indirect export market.

In 2005, the company invested in building and machineries for the production of beverages product to launch in domestic market under its own brand and for co-packing under customers' brand both for domestic and export market.

In 2013, the company has relaunched with the new packaging under brand "Zummer". The two products launched were plum in plum juice, and aloe vera in lime juice with honey. The aloe vera juice has aloe vera pulp and fresh lime juice and honey. The product was launched in Thaifex 2013 and received good acceptance from both local and foreign customers. The company uses distributor to sell the products, and hire agency company to advertise and promote the products.

In addition, the company has also registered the Trade Mark of "Zummer", and the mascot naming "Plum-mu", and "Aloe-Ku".

In 2014, the company has developed ready-to-eat products to market under company's brand name, "Besto", and co-packing under customers' brands.

Market and Industry Situation and Competition

Market

The company has been emphasized in medium to high market, which is the group of customers who understand the importance of quality, which is strength of the company. From the beginning, the company will research and develop process, packaging, and technology continuously such that the products will meet the international quality requirement and satisfy customers' requirement.

With such development, the company considers the safety and health of the consumers as the major consideration. Therefore, the company has been certified for GMP (Good Manufacturing Practice), HACCP (Hazard Analysis and Critical Control Point), and BRC (Global Standard for Food safety). The certification provides assurance to customers that the company has the standard and control in place. Importantly, the company also maintain good relationship

with customers by maintaining its quality standard with on time delivery, while cooperating in developing new products.

As for export market, it can be divided into 3 groups i.e. agent or trading companies (broker), distributors, and brand owners. Agents will be the middleman in helping brand owners to source products and receive commission either from the company or from the customers as per pre-arrangement. As for brand owners, they will work directly with the company, but could pay commission to the introductory company, or distributors as per agreed.

At present, the company has exported to more than 10 countries. The major countries are European Union, Japan, Australia, AEC, and the U.S.A.

Sales in 2014 -2016 by Countries

	(Unit: million Baht)		
Country	<u>2014</u>	<u>2015</u>	<u>2016</u>
Countries in AEC	-	26.9	176.5
European Union	64.7	58.4	58.9
Japan	80.7	45.7	54.5
Australia	45.6	28.4	31.8
U.S.A. and Canada	24.5	14.9	20.3
Others	4.8	1.1	0.8
Domestic	<u>254.5</u>	<u>288.9</u>	<u>388.4</u>
TOTAL	<u>475.0</u>	<u>464.3</u>	<u>731.2</u>

Competition

Competition in the fruits and vegetables processing industry is very high from both domestic and foreign countries. This is from those factories who are already producing the similar products, and want to increase more items by using the same facilities. For example, pineapple canneries have started packing other type of fruits other than pineapples.

Although Thailand is known for its quality and standard, it has the weakness in price. This is caused by low yield per acres from the farm, and low quality of the crops, agricultural chemical residues, and high minimum wage of currently at Baht 308. Therefore, production cost in Thailand is higher than the competing countries in the same region such as China, Vietnam, and Indonesia.

For spice and condiments market, the competition is also considered high since there are many domestic manufacturers. The difference is in adjusting the formulations and process to meet customers' requirement. More importantly, the quality of the factory is also the main factor.

Beverages in every sector have high competition, especially in the read-to-drink market. The competition is higher in the domestic market by launching new products, and different segment. At present, the competition is targeting fruit and vegetables juices and tea that are good for health. The company has also launched products in the same category for plum juice

and aloe vera juice. The concept is not only healthy but also delicious and natural. The product was launched in May 2013 at Thaifex, and have been exporting to AEC and Japan under Zummer brand. The company will continue to develop new products to support the brand.

Other foreign countries also started to consume the same product. Thus, it's company's opportunity to expand the market for the beverages.

With more and more competition from other countries, Thailand has lost its market share to other countries. In order for the company to maintain its market share, it has to maintain high standard and service. One of them is to have the HACCP certification, which is highly regarded by international quality requirement. The company has been certified by TQCSI certification from Australia.

Since the company has a clear policy in expanding the product types to reduce the risks of concentrating in one product, thus, the company does not have a head-on competitor in the market. Although the company has competitors in each product, but not in all products. Main competitors from foreign countries include China, Indonesia, and Vietnam.

Sourcing

The factory has production capacity of about 60,000 metric tons. The production policy is mainly manufacture according to customers' orders, except those that are seasonal. Then, marketing will consider the orders, supply of raw materials, and market situation.

The company's main supply materials are fruits, vegetables, cans, jars, lids, ingredients, cartons, and labels. The value of the materials can be divided as follow:

Value of the materials Purchased in 2014 - 2016

(Unit: Million Baht)

	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Value</u>	<u>Ratio</u>	<u>Value</u>	<u>Ratio</u>	<u>Value</u>	<u>Ratio</u>
Raw material - local	216.2	94.8%	230.2	92.3%	483.3	97.9%
Raw material - import	<u>11.9</u>	<u>5.2%</u>	<u>19.3</u>	<u>7.7%</u>	<u>10.2</u>	<u>2.1%</u>
TOTAL	<u>228.1</u>	<u>100.0%</u>	<u>249.5</u>	<u>100.0%</u>	<u>493.5</u>	<u>100.0%</u>

Raw materials are purchased either through farmers directly or via middleman. Location of material supplies depend on the plantation area. For example, aloe vera is from upper South

of Thailand. The quantity and price of raw materials will depend on the weather and demand of the market.

Various packaging materials such as carton, labels, jars, lids, and cans are from local companies and some are imported from Philippines.

Chemicals and other ingredients do not have a high value. They are also purchased from both local companies and some are imported.

The company maintains good relationship with suppliers.

Impact to the Environment from Waste

One of the main concerns in operating the business is the environment and the community. Thus, the company follows the regulations seriously by filing the necessary documents with the Department of Industry for disposing the waste from the factory. At present, the organic materials are disposed at the company's land in making organic fertilizer.

The company has changed the fuel for boiler from using the bunker oil and husk to natural gas. This has reduced the smoke and air pollution.

During 2011 – 2013, the company has joined the carbon footprint for agriculture and food products program with Agriculture Commodity and Food Standards to evaluate and manage carbon footprint in Thai agriculture and food products. Carbon footprint is a tool to evaluate the emission of carbon to the environment, which causes the global warming effect. The target of evaluation under the PAS 2050 standard is to study the emission of carbon throughout a product's life cycle. The information will be used to reduce the emission by improving the production process, which will reduce the energy and reduce the cost. The product that the company used for the study is sweet chilli dipping sauce and aloe vera. The company will continue the study to include other products.

Overview of the Joint Venture Business

In 2004 Food and Drinks Public Co., Ltd. has set up joint venture with Hon Chuan (Thailand) Co., Ltd. to set up Hon Chuan FD Packaging Co., Ltd for production of plastic PET bottles, and shrink film labels. Hon Chuan (Thailand) Co., Ltd. will be responsible for the production and distribution of the packaging materials of bottles, caps and shrink films. The company has 35% shares.

Hon Chuan FD Packaging Co., Ltd has responsibility in production and marketing because Hon Chuan (Thailand) Co., Ltd. is the subsidiary company of Hon Chuan Co., Ltd which is the leading company in Taiwan that have expertise in production and selling plastic packaging for a long time.

In 2008, Hon Chuan FD Packaging Co., Ltd. has the resolution to increase the capital by Baht 20 million by issuing 2 million shares at Baht 10 per share. The company has invested in the additional amount of Baht 7 million in order to maintain the shareholding of 35%.

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business.

	(Unit: Million Baht)		
	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
<u>Transactions with associate</u>			
Rental income and other service charges	4	4	Contract price
Purchases of packaging and supplies	7	8	Market price

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

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Other receivable - related party Associate	666	676
Trade payables - related parties Associate	3,474	1,877
Other payable - related party Associate	-	71

During the year, the Company has recognised its share of profit from investment in associate in the financial statements in which equity method is applied and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Financial statements in which equity method is applied		Separate financial statements	
	Share of profit from investment in associate during the year		Dividend received during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Hon Chuan FD Packaging Company Limited	140	8,130	13,641	19,779

Summarised financial information about associate

Summarised information about financial position

(Unit: Thousand Baht)

	Hon Chuan FD Packaging Company Limited	
	<u>2016</u>	<u>2015</u>
Current assets	254,434	267,302
Non-current assets	163,077	191,263
Current liabilities	26,301	28,954
Non-current liabilities	<u>1,581</u>	<u>1,282</u>
Net assets	389,629	428,329
Shareholding percentage (%)	<u>35</u>	<u>35</u>
Share of net assets	136,370	149,915
Elimination entries	<u>33</u>	<u>(11)</u>
Carrying amounts of associate based on equity method	<u>136,403</u>	<u>149,904</u>

Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the year ended 31 December	
	Hon Chuan FD Packaging Company Limited	
	<u>2016</u>	<u>2015</u>
Revenue	276,464	409,878
Profit	272	24,181

Revenue Structure

	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>million Baht</u>	<u>%</u>	<u>million Baht</u>	<u>%</u>	<u>million Baht</u>	<u>%</u>
Export sales	221	46.5 %	175	37.8 %	343	46.9 %
Domestic sales	<u>254</u>	<u>53.5 %</u>	<u>289</u>	<u>62.2 %</u>	<u>388</u>	<u>53.1 %</u>
Total Sales	<u>475</u>	<u>100.0 %</u>	<u>464</u>	<u>100.0 %</u>	<u>731</u>	<u>100.0 %</u>
Share of profit from Investment Accounted for under equity	11		8		0.1	

Future Business

The company has the objective to expand the market for both export and local markets, and market products under its own brand by using the existing building, machine and equipment. Nevertheless, the company has the investment plan that requires additional capital to increase the types of products. The investment will include purchase of new machines for improve and expand the production to meet the customers' requirements.

In 2017, the company will continue to develop new products especially for beverage and ready-to-eat.

Other Information

Factory Standard

The company has received GMP certification from the Ministry of Health, HACCP certification from TQCS International (Group) Pty. from Australia, and Global Standard for Food Safety (BRC) from NSF Certification in U.K.

Community Service

The company has the policy to support the community for better development by giving cooperation and other private sectors. Some activities are

1. Scholarship

The program was started in 2003 by giving scholarship to children of company staff and workers. From 2004, the program has been extended to schools in Banbung City.

2. Student Training

The company has started hire students to work in the factory in 2003 to support the government's initiative to train students to working environment and gaining working experience and responsibilities.

3. Blood Donation

The company has cooperated with the municipal health service in Banbung to join the blood donation scheme 4 times a year.

Environment

The company has the waste water treatment area of about 13,000 square meters with the approval of the water after treatment in compliance with the requirement of Department of Industrial Works, Ministry of Industry. In 2006, the company has signed an agreement with Benears Inc for setting a waste water treatment by using new technology from Japan.

As for the waste of raw materials from the production, the company is in the process of studying in using the material for organic fertilizer, while others are being sold to other companies as materials.

The company has invested about Baht 40 million in 2008 to change the boiler, which used to use bunker oil and saw dust as fuel to natural gas. This is not only for cost saving but also for the pollution released to the environment.

In 2011 - 2013, the company has joined the project of studying the Carbon Footprint for food and agricultural products under the supervision of Agricultural Commodity and Food Standard Office. In 2012, the company has joined the follow up project of Developing the Method of Calculating the Carbon Foodprint for agricultural and food products under the supervision of University of Kasetsart and Federation of Industries.

Corporate Social Responsibilities (CSR)

The company sees the importance of Corporate Social Responsibility. Thus, the company has entered the program organized by the Department of Industrial Work, Ministry of Industry.

The company was able to fulfill the requirements, and standards required for CSR-DIW, and received the award and certification together with the community on 25 January 2011.

➤ Risk Factors

Risk management is an important part of the company's business operation. The company has set up and appointed the Organizational Development Committee. One of its main roles is to work closely with the management in assessing risks that will affect the company in all operations, and review risk management policy to be adequate. Furthermore, it has communicated the risks to the management and staff in all levels for their understanding and practice. The organizational development committee and the management have together assess the risk factors and able to classify them into the following areas.

1. Financial Risk

a) Currency Risk

Due to the company sources its raw materials mainly from the locals in order to support the farmers in every part of the country to have income to support themselves, the main cost and expense are in the Thai Baht currency.

The fluctuations of Thai Baht vs. US Dollar do affect the company for the business transactions for import and export with foreign currency. The company considered that the value of Thai Baht mostly decreased in 2014 continue to 2015. Therefore the company is not doing forward exchange contracts.

In addition, the company has changed the trade currencies with some customers in United Kingdom and Japan to British Pound and Thai Baht in order to distribute the risk. The exchange rates are being monitored very closely by the organizational development committee and the management in order to handle the currency risk promptly, and able to reduce this risk accordingly.

b) Interest rate

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates, the interest rate risk is expected to be minimal.

c) Credit Risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base.

2. Market/Competition Risk

The company's main business is contract manufacturing. Sales will depend on the orders from customers and their success. Therefore, the company will assist customers in arranging trade promotions and product development in order to continue the growth of the market. The product development is the major role to create the product differentiation. Although the process will take time and resource, but the customers will have a different product from their competitors.

The company has also started to invest in marketing its own brand. This will reduce the risk of relying on contract manufacturing only.

As the company sees the uncertainty in export market, world economic crisis, and trade barrier in Europe including increasing market share in domestic sales it decided to expand production capacity which has an affected to the ratio of domestic sales continuing growth in the past 3 years. In 2016, the company was able to increase the ratio of domestic sales in comparison to export to 46.9 / 53.1.

The company has improved its efficiency in the production in order to reduce the cost of production while maintaining the quality of the products. This included the quality inspection system to be in line with the international standards in order to be ahead of the competition such as China, which has cheaper products but inferior in quality. The company has operated under the internationally recognized food manufacturing standards including GMP from Thai Ministry of Health, and HACCP from TQCS International (Group) Pty. from Australia and Global Standard for Food Safety (BRC) from NSF from United Kingdom. This is part of the strength of the company.

3. Raw material risk

Most of the raw materials used in the production are sourced locally. The company has selected various produces from different parts of the country. There are risks in differences in quality, prices, and volume, depending on the weather situation. This is the risks that are unavoidable. The company tries to reduce the risks of raw materials by:

- Different product lines with different varieties of raw materials in various seasons.
- Marketing Plans by selling according to the seasonality of various raw materials.

- Cooperation with farmers and state agencies to achieve the satisfactory quality and productivity.
- Development programs for sustainability farming, providing knowledge to farmers. The programs will not only provide products with good quality but also quantity for the long term period.

From management of raw material risk continuously, the company is able to manage the impact that it has upon the company's operation.

4. Natural Disasters Risk

With the nature disasters occurred in 2011 such as earthquake in Japan, or flood in Thailand, many companies do have to consider such risks in their operations.

Company's factory is located in Banbung, Chonburi, and thus was not affected by the flood. However, some of company's suppliers were affected and causing some disruptions to company's operation. Thus, the company is forced to look at some of the measures for future occurrences.

Company has prepared some measures to counteract with such problem in the future. Anyhow, the company has also bought the insurance to cover such nature disasters if it would occur.

**General Information**

Company's Name	Food and Drinks Public Company Limited
Registration Number	0107536001192 (Public Company 193)
Head Office	695/1 Banbung-Bankai Rd. Klongkew, Banbung Chonburi 20220 Tel.: 0-3820-1219-21 Fax.: 0-3820-1020
Bangkok Office	6F Thai Wah 1 21/11, 21/13 South Sathorn Road Tung Mahamek, Sathorn Bangkok 10120 Tel.: 0-2285-0106 Fax: 0-2285-0109
Homepage	www.foodanddrinks.co.th
Type of Business	Food and Drinks Processing Export and Local
Registered shares	15,000,000 ordinary shares Par value = Baht 10.00 Total registered capital is Baht 150 million
Paid-up Shares	15,000,000 ordinary shares Par value = Baht 10.00 Baht 150 million Paid-up Capital
Share Registration	Thailand Securities Depository Company Limited 93 Ratchadapisek Road Kwang Dindaeng, Khet Dindaeng, Bangkok 10400 Tel.: 0-2009-9000 Fax: 0-2009-9991

Auditor	Ms. Thipawan Nananuwat (CPA # 3459) or Ms. Sumalee Reevarabandhit (CPA # 3970), or Mr. Termphong Opanaphan (CPA #4501) EY Office Limited 33F Lake Ratchada Bldg. 193/136-137 New Ratchadapisek Road Klongtoey, Bangkok 10110 Tel.: 0-2264-0777 Fax.: 0-2264-0789-90
Legal Advisor	Legal Advisory Council Limited. 16 F Olympia Thai Tower 444 Ratchdapisek Road Huay Kwang, Bangkok 10310 Tel : 0-2512-5938-40
Investor Relation	Miss Huai Hui Lee 6F Thai Wah 1 21/11, 21/13 South Sathorn Road Tung Mahamek, Sathorn Bangkok 10120 Tel.: 0-2285-0106 Fax: 0-2285-0109 Email : info@foodanddrinks.co.th

➤ Shareholding Structures

Company's Shares

As of 31 December 2016, the company has capital registered in the amount of Baht 150 million, and paid up capital of Baht 150 million for total of 15 million shares at Baht 10 per share.

Major Shareholders

The company's shareholder structure as of 31 December 2016 is as follows:

Description	Number of shares	Value (Baht)	Percentage
Registered capital	15,000,000	150,000,000	-
Paid up capital as of 31 December 2015	15,000,000	150,000,000	100.00
- top 10 major shareholders	11,122,575	111,225,750	74.15
- other shareholders	3,877,425	38,774,250	25.85

List of top 10 major Shareholders as of 31 December 2015

No.	Name of Shareholder	Shares	%	Director	##
1	Mr. Kasem Deemaitree	2,302,400	15.35	*	A
2	JW International Worldwide Group Ltd	1,457,600	9.72	Represented by Mr. Wong Chun Num	C
3	Ms. Huai Hui Lee	1,335,340	8.90	*	A
4	Mr. Huai Hsin Lee	1,285,375	8.57	*	A
5	Kawasho Food Corporation	1,142,700	7.62	Represented by Mr. Aditep Nontratip	C
6	Mr. Taveechat Jularnkul	700,000	4.67		
7	Mrs. Chintana Asdornnithee	671,800	4.48	*	B
8	Mr. Suthee Wangseangthong	624,920	4.17		
9	Iamsakulrat Co., Ltd.	581,000	3.87		B
10	Mr. Woravich Deemaitree	510,720	3.40		A
10	Mrs. Rungrak Deemaitree	510,720	3.40		A

Remarks

A – Group Deemaitree : total shares holding is 5,944, 555 equals to 39.63%

B – Group Mrs. Chintana Asdornnithee : total shares holding is 1,252,800 equals to 8.35%

C – JW International Worldwide Group Ltd. And Kawasho Foods Corporation are registered company, and do not have the information of Ultimate shareholders to disclose.

➤ **Dividend Payment Policy**

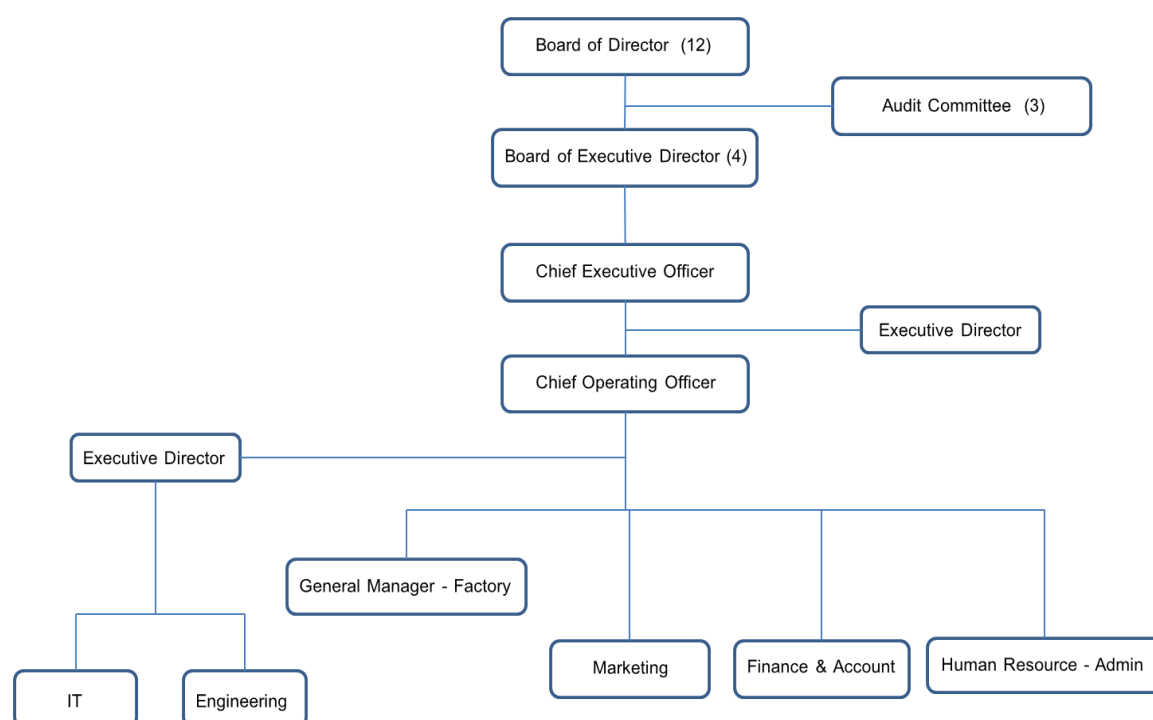
The company has the policy of paying dividend annually for the amount of not less than 60% of net profit after tax and statutory reserve, and reserve for future investments. When the Board of Directors has the suggestion to pay the annual dividend, the matter will be presented to the Shareholders for approval unless it is interim dividend payment. Then, the Board of Directors can approve the payment and report to the shareholders at the next meeting.

YEAR	2013	2014	2015
Net Profit per share	0.37	0	0
Dividend per share	0.17	0	0
Dividend / Net Profit (%)	45%	0%	0%

➤ Management Structure

In order to manage the company efficiently and achieving its goals to be the manufacturer and distributing quality food products according to the international standards with good governance, the company has organized the company's structure as follow:

Organization Structure



Management Structure

Food and Drinks Public Company Limited's management structure that is under the supervision of the Board of Directors, has appointed another 4 committees to oversee various areas. They are Board of Director, Audit Committee, Executive committee and the Organizational Development committee. Their names and responsibilities are as follows:

(1) Board of Directors

The Board of Directors is comprised of 12 members with 4 independent directors, 4 executive directors, and 4 non-executive directors.

- | | |
|---------------------------------|---|
| 1. Mr. Phirasilp Subhapholsiri | Chairman, Independent Director |
| 2. Mr. Kasem Deemaitree | Director, Chief Executive Officer |
| 3. Mrs. Chintana Asdornnithee | Executive Director |
| 4. Ms. Huai Hui Lee | Director, Chief Operating Officer |
| 5. Mr. Huai Hsin Lee | Executive Director |
| 6. Mr. Udom Karoonkornsakul | Director |
| 7. Mr. Aditep Nontratip | Director |
| 8. Mr. Chun Nam Wong | Director |
| 9. Mr. Sansern Nilrat | Director |
| 10. Ms. Chaovana Vivatpanachati | Independent Director and Audit Committee Chairman |
| 11. Mrs. Vilai Kiatsrichart | Independent Director and Audit Committee |
| 12. Mr. Sumet Chey-O-nanund | Independent Director and Audit Committee |

* Mr. Theerapat Soopanit is the secretary to the board.

Authorized Directors

The directors who are authorized to sign to represent the company are Mrs. Chintana Assadornnithee or Mr. Aditep Nontratip co-sign with Mr. Kasem Deemaitree or Miss Huai Hui Lee or Mr. Huai Hsin Lee with company stamp.

The Responsibility Scope of the Board of Directors

1. Monitor and manage the operation of the company on the basis of good corporate governance
2. Set company's vision and mission for management and employee to have the same goal and consider to review the company's vision and mission every 5 years
3. Manage and discuss the business strategy as proposed by the executive directors and ensure that the executive directors and management carry out the plans as approved efficiently, added value to the company's business, and give good operational results.
4. Follow the regulatory requirement, articles of associations, and shareholder's resolutions.
5. Set up shareholders' annual meeting within 4 months from the year-end closing date and any other meetings necessary.
6. Set up board of directors meeting at least four times per year, which change to 6 times per year starting from year 2011. In each meeting, there will be at least 60% of all

directors are present. The resolution is based on the majority vote. If equal, the chairman of the meeting will have one additional vote.

7. Consider and approve annual business plan, including budget for investment, and goals.
8. Report financial data and other information important to shareholders. Ensure that the information is correct, complete and sufficient.
9. Set up and follow up on internal control, internal audit and risks management to ensure the efficiency in the system.
10. Appoint and clarify the differences in responsibility among directors, various sub-committees, management and employee.
11. Oversea the executive directors and management to follow the policies and requirements that were approved or specified from the shareholders according to the requirement of SEC and Stock Exchange of Thailand.

(2) Executive Committee

- | | |
|-------------------------------|-----------------------------------|
| 1. Mr. Kasem Deemaitree | Director, Chief Executive Officer |
| 2. Mrs. Chintana Asdornnithee | Executive Director |
| 3. Ms. Huai Hui Lee | Director, Chief Operating Officer |
| 4. Mr. Huai Hsin Lee | Executive Director |

The Responsibility Scope of Executive Directors

1. Set plans, direction, strategy and budget in company's operations to achieve the target specified by the Board of Directors while operate under the requirement of the laws.
2. Review the company's operations from time to time to achieve the business projections.
3. Evaluate any major investments and budgets before presenting to the Board of Directors for consideration.
4. Conduct financial transactions with financial institutions according to the authorization chart for the short term loans, withdraw and opening accounts.
5. Represent the company and operate on behalf of the company to the public.
6. Set up standard operating procedures, and internal control.
7. Govern the operation according to the risk assessment and policy as review by the organizational development committee, which include risks of finance (currency risk, interest rate, and credit risk), market/competition, and raw materials including the risk in the rules and regulations and the reputation of the company.
8. Ensure that the management and all employees follow the business ethics and integrity.

(3) Audit Committee

- | | | |
|----|-----------------------------|-----------------------------|
| 1. | Ms. Chaovana Vivatpanachati | Chairman of Audit committee |
| 2. | Mrs. Vilai Kiatsrichart, | Audit committee |
| 3. | Mr. Sumet Chey-O-Nanund | Audit committee |

Remarks : Qualifications of Audit Committee members

The qualifications set out by the Stock Exchange of Thailand for audit committee to have knowledge in accounting are as follows:

1. Miss Chaovana Vivatpanachati –Master Degree from Chulalongkorn University in Accounting, Certified Public Accountant, and have experience in accounting/finance, which is in line with SET's requirement.
2. Mrs. Vilai Kiatsrichart – Master Degree from Ramkhamhaeng University in Political Science, Major in Arts; and High Level of Accounting Certificate from Belmonte College in the U.S.A.
3. Mr. Sumet Chey-O-Nanand –Accounting degree from Thammasart University.

The Audit Committee will report directly to the Board of Directors, while the Board of Directors is still responsible to the company's operation to the public.

The Responsibility Scope of Audit Committee

1. Ensure the accuracy, completeness and reliability of financial statements and that sufficient information is disclosed.
2. Ensure that the Company has sufficient, appropriate and effective internal controls, risk management, and internal audit systems. Have the authority to review, and investigate related to concern matters, under the scope of responsibility and authorization, by inviting directors, or management, or staff to attend the meeting and provide relevant information.
3. Select and propose the Company's auditors and determine their compensation, including meeting the auditor without the presence of the management at least once a year.

4. Ensure that the Company abides by all rules and regulations, and other regulations and laws related to the Company's business.
5. Ensure that there will be sufficient disclosure of company information, especially related parties transactions or those that might have conflicts of interests. Ensure that the transactions follow the requirement of SEC and Stock Exchange of Thailand, and ensure that they are reasonable and to the company's best interest.
6. Prepare an Audit Committee's Report according to the Scope of Responsibilities assigned by the Board of Directors and report in the Company's annual report, signed by the Chairman of the Audit Committee.

(4) Organizational Development Committee

- | | |
|--------------------------------|----------|
| 1. Mr. Phirasilp Subhapholsiri | Chairman |
| 2. Miss Huai Hui Lee | Director |
| 3. Mr. Huai Hsin Lee | Director |

The Responsibility Scope of Organizational Development Committee

1. Arrange and consider the Organizational structure to present to the executive directors.
2. Arrange and present Company's Vision and Procedures to develop the organization to the Board of Directors.
3. Analyze risks in various areas of the Company to present to the executive directors.
4. Follow up on various projects.
5. Consider Company's strategy

The attendance records of Directors

Name of Director	Directors Meeting (12 members)	Audit Committee Meeting (3 members)	Shareholders' Meeting 1/2016 (12 members)
Mr. Phirasilp Subhapholsiri	7/7	-	1/1
Mr. Kasem Deemaitree	6/7	-	1/1
Mrs. Chintana Asdornnithee	7/7	-	1/1
Mr. Udom Karoonkornsakul	7/7	-	1/1
Mrs. Vilai Kiatsrichart	7/7	3/4	1/1
Ms. Chaovana Vivatpanachati	6/7	4/4	1/1
Mr. Sumet Chey-O-nanund	6/7	4/4	1/1
Mr. Sansern Nilrat	7/7	-	1/1
Mr. Aditep Nontratip	7/7	-	1/1
Mr. Chun Nam Wong	2/7	-	1/1
Mr. Huai Hsin Lee	7/7	-	1/1
Miss Huai Hui Lee	7/7	-	1/1

Authorized Directors & Company Secretary

- | | | |
|----|----------------------------|-----------------------------------|
| 1. | Kasem Deemaitree | Director, Chief Executive Officer |
| 2. | Mrs. Chintana Asdornnithee | Executive Director |
| 3. | Ms. Huai Hui Lee | Director, Chief Operating Officer |
| 4. | Mr. Huai Hsin Lee | Executive Director |
| 5. | Mr. Aditep Nontratip | Director |

Company Secretary:

The company has appointed Mr. Theerapat Soopanit as the company secretary since 7 December 2015

Nomination of Directors and Administrators

1. Nomination of directors, including independent directors, must be approved by the Shareholders. The existing directors will dominate the names and presented to the shareholders. The executives and upper management level will be selected by executive committee, except chief executive officer.
2. At present, the company does not have the nomination committee and the remuneration committee due to company is still quite small, and turnover is also small.
3. Selection of directors is from the shareholders' meeting
4. Shareholders elects and removes directors according to the following rules and procedures:
 - a) The number of votes equal to the number of shares held by each shareholder.
 - b) During the election process, directors can be elected individually, several persons, or as a group, whichever deems appropriate by the Meeting. To pass a resolution, the shareholders shall cast all of their votes according to a). No splitting of votes allowed.
 - c) A simple majority is applied to the election of directors. In the event of a tie, the Chairman of the Meeting has the deciding vote.
 - d) The Shareholders Meeting may pass a resolution to remove any director prior to the end of that director's term. Such resolution requires no less than three-fourths of shareholders present at the meeting with voting rights, and the total shares should not be less than half of those held by the attending shareholders with voting rights.

Directors Remuneration

(1) Financial Remuneration

(1.1) Remuneration for each director

The financial remuneration for 12 directors in 2016 equaled to Baht 1,392,000.00 fixed remuneration.

Name of Director		Annual	Meeting*
Mr. Phirasilp Subhapholsiri	Chairman	40,000	84,000
Mr. Kasem Deemaitree	Director, Chief Executive Officer	40,000	72,000
Mrs. Chintana Asdornnithee	Executive Director	40,000	84,000
Miss Huai Hui Lee	Director, Chief Operating Officer	40,000	84,000
Mr. Huai Hsin Lee	Executive Director	40,000	84,000
Mr. Udom Karoonkornsakul	Director	40,000	84,000
Mr. Aditep Nontratip	Director	40,000	84,000
Mr. Chun Nam Wong	Director	40,000	24,000
Mr. Sansern Nilrat	Director	40,000	84,000
Mrs. Vilai Kiatsrichart	Independent Director	40,000	84,000
Ms. Chaovana Vivatpanachati	Independent Director	40,000	72,000
Mr. Sumet Chey-Onanund	Independent Director	40,000	72,000

* According to the attendance to the meeting.

The fixed remuneration for three Audit Committee members is Baht 200,000 for 2016.

Name of Director		Annual
Ms. Chaovana Vivatpanachati	Audit Committee Chairman	80,000
Mrs. Vilai Kiatsrichart	Audit Committee	60,000
Mr. Sumet Chey-O-nanund	Audit Committee	60,000

(1.2) Total remuneration and number of executives and management.

Salary and bonus for 14 executives and managers are Baht 18 million for 2016.

(2) Other Remuneration

None.

➤ Detail of Directors and Management

Independent Directors

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Experience		
					Period	Position	Organization
Mr. Phirasilp Subhapholsiri Chairman Independent Director	64	Business Management Yokohama National University DAP 40/2005	-	-	2009 - Present 2013 - Present 1998 – 2008 Present Present Present	Chairman Independent Director President Independent Director Independent Director Independent Director	Food and Drinks PLC. Tipco Asphalt PLC. Bank Thai Public Co., Ltd. Subhadhana Co.,Ltd. Thai-Nichi Ventures Co.,Ltd. Kaizen Consulting Co.,Ltd.
Mrs. Vilai Kiatsrichart Independent Director Audit Committee	72	Master of Arts in Political Science Ramkhamhaeng University Accounting Certificate Belmonte College, U.S.A. DAP DCP 38/2003	-	-	1996 – Present 1981 - Present Present Present	Independent Director/ Audit Committee Managing Director Director and member of Executive Board Honorary President Advisory Director	Food and Drinks PLC. Pan Asia (1981) Co., Ltd. Thai Chambers of Commerce/ Board of Trade of Thailand Thai Food Processors' Association Thai National Shippers' Council of Thailand
Ms. Chaovana Vivatpanachati Independent Director Chairman Audit Committee Certified Public Accountant	56	Master of Management University of Wollongong Australia Master of Accounting Chulalongkorn University Certified Public Accountant Certificate in Accounting Audit Thammasart University DAP, DCP 58/2003 ACP	-	-	2002 – Present 2014 – Present 2001- Present 1999 – Present 1994 – Present	Independent Director/ Audit Committee Audit Committee Independent Director/ Audit Committee Director Managing Director	Food and Drinks PLC. S.C.I. Electric Manufacturing Co.,Ltd. Inoue Rubber (Thailand) PLC. Moore Stephens DIA Sevi Ltd. Pitisevi Co., Ltd.
Mr. Sumet Chey-O-Nanund Independent Director Audit Committee	74	B. Business Administration Thammasart University DAP 2/2003	-	-	2002 – Present 1996 - Present	Audit Committee Independent Director/ 	Food and Drinks PLC. Personal business

Executive Directors

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Experience		
					Period	Position	Organization
Mr. Kasem Deemaitree Managing Director Authorized Director	83	B.S. Agricultural Chemistry Chung Hsin University Taiwan, R.O.C.	15.35	Father of Mr. Huai Hsin Lee, Ms. Huai Hui Lee	1986 - Present	Chief Executive Officer	Food and Drinks PLC.
Mrs. Chintana Asdornnithee Executive Director Authorized Director	79	High School St. Joseph Convent DAP	4.00	Daughter of Mr. Kamol Iamsakulrat	1985 - Present 1990 - Present	Executive Director Deputy Managing Director	Food and Drinks PLC. Lampang Food Products
Ms. Huai Hui Lee Executive Director Authorized Director	54	MBA George Washington University DCP 19/2002	8.55	Daughter of Mr. Kasem Deemaitree; Sister of Mr. Huai Hsin Lee	2013 – Present 2006 – Present	Chief Operating Officer Director	Food and Drinks PLC. Food Processing Industry Club – Federation of Thai Industries
Mr. Huai Hsin Lee Executive Director Authorized Director	50	B.S. Mechanical Engineering University of Maryland U.S.A.	8.23	Son of Mr. Kasem Deemaitree; Brother of Ms. Huai Hui Lee	2013 – Present	Executive Director Engineering & Information Technology	Food and Drinks PLC.

Directors

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Experience		
					Period	Position	Organization
Mr. Aditep Nontratip Director Authorized Director	52	Ph.D. Food Science Tokyo University of Fisheries MBA Chulalongkorn University DAP 80/2009	-	-	2009 – Present	Director	Food and Drinks Public Co., Ltd.
					2007 – Present	Managing Director	Kawasho Foods (Thailand) Co., Ltd.
					2002 – 2007	General Manager	Kawasho Foods (Thailand) Co., Ltd.
Mr. Udom Karoonkornsakul Director	82	High School DAP	2.50	-	1994 – Present 1979 – Present	Director Chairman	Food and Drinks PLC. Sahamitree Fish Meal Co., Ltd.
Mr. Chun-Nam Wong Director	70	High School Diploma Hong Kong	-	-	1990 – Present Present	Director Investor	Food and Drinks PLC. JW International Worldwide Group Ltd
Mr. Sansern Nilrat Director	63	MBA Kasetsart University DCP 4/2000, 5/2007 ACP 21/2008	-	-	2009 – Present Present	Director Advisor	Food and Drinks Public Co., Ltd. Federation of Thai Capital Market Organizations
					2012 - 2014	Head of Proprietary Trading	CIMB Securities Co., Ltd.
					2009 - 2012	Head of Compliance and Legal	CIMB Securities Co., Ltd.
					2002 – 2009	Deputy Managing Director	BT Securities Co., Ltd.

Management (Non Directors)

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Experience		
					Period	Position	Organization
Mr. Nakhon Mahakhun, Ph.D.	68	Ph.D. Food Science & Technology Texas A&M University, U.S.A.	-	-	2004 – Present	General Manager - Factory	Food and Drinks PLC.
Mr. Theerapat Soopanit	55	MBA Kasetsart University	-	-	2002 – Present	Chief Financial Officer	Food and Drinks PLC.

Company Secretary

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Experience		
Mr. Theerapat Soopanit	55	MBA Kasetsart University	-	-	2015 – Present	Company Secretary	Food and Drinks PLC.

All the directors and the management team do not have any criminal records, or in the process of being suit for criminal charges, or being bankrupt in the last 10 years.

Details of Directors for the Subsidiaries

None.

➤ **Corporate Governance**

The company recognizes the importance of good corporate governance for transparency in operation, and the responsibilities of the Board of Directors to enhance the shareholders' trust and value. The company has committed to comply with corporate governance guidelines issued by the regulatory bodies that govern its operations as a public company, and to the implementation and compliance with such other standards as are appropriate to the conduct of its business.

(1) Shareholders' Rights

The company recognizes the rights of shareholders to cover the basic rights as investors in the listed firm and as owners such as the rights to buy, sell, and transfer the shares; rights to receive the share of dividends equally, rights to sell the shares back to the company equally, and other rights equally; rights to the shareholders' meeting; rights to express opinions; rights to make the major decision such as electing the directors, and approve major decisions as to the directions of the company; and rights to amend the Article of Associations.

Thus, the company has the policy that all shareholders are eligible for information that are correct, complete, sufficient, and on time. In every shareholders' meeting, invitation letter with agendas and directors' recommendation are sent to shareholders 10 days before the meeting.

If any shareholders cannot attend the meeting personally, they can give proxy to anyone or recommended audit committee member or managing director to attend and vote on behalf.

For shareholders' meeting, the company will choose the location and time that are convenient to the shareholders to attend as much as possible.

In the meeting, the chairman will provide enough time for every shareholder to ask questions and express any opinions.

In 2014, there was only one shareholders' meeting. The meeting was held on 28 April 2014 at company's office in Bangkok. In 2014, two independent directors attended the meeting.

(2) The Equitable Treatment of Shareholders

The company has the policy to create the equal treatment to all groups of shareholders regardless of major shareholders, minor shareholders, and institutional shareholders of foreign shareholders especially the minor shareholders. Therefore, details are set as follows:

1. The votes in the meeting are equal to the number of shares hold. One share is equal to one vote.
2. Prohibit company directors and employees who can benefit from inside information to disclose any inside information to outsiders within 30 days before disclose the financial information to the Stock Exchange of Thailand. In addition, the directors and management are required to report the change of shareholding to the Securities Exchange Commission within 3 days for disclosure purpose.

(3) The Rights of Stakeholders

The company recognizes the importance of every group of stakeholders including the company staff, management, customers, suppliers, competitors, and government agencies. The company realizes the importance of cooperation with all groups of stakeholders enhances the value and the stability of the company.

- Shareholders: Other than the basic rights and legal rights and Article of Association such as rights to attend the meeting, rights to vote, rights to express opinions in the meeting, and rights to dividend, shareholders also entitle to the rights of suggestion and opinions for the business operation. Every comment will be taken into consideration by the Board of Directors.
- Customers: The Company determined to ensure that the customers are satisfied with the quality and price through continuous development, and maintaining the standards determined by the customers, and regulations set by the government.

In 2014 the company did customer satisfaction survey to our product and services with the result of more than 85% satisfactory score.

- Competitors: The Company considered the competitors to be a major factor to drive the company to improve its operation in order to satisfy the customers under the requirement of the law. The company believes in fair competition under the law, transparent, and do not conduct any acquiring of trade secrets or engage in any false accusation against any competitors.
- Creditors: the company realizes that setting good and trusting relationship with its creditors to ensure the payment is an important part of the operations.
- Employees: The Company considered its employee as one of the most important assets. The company has the policy to treat all employees equally and fairly with reasonable pay. Therefore, the company has the policy and procedure about safety and hygiene in working environment, there are programs set to develop the skills constantly for personally and for the expansion of the business. In 2014, the company had training session for the employees about safety working environment, rule and regulation of our customer totally 735 hours and the company has established the provident fund for employee to take care our employee in the long term.
- Community: the company realizes the importance of the community and the environment. The company has a clear policy in helping the community to develop and grow. The company has cooperate with the government agencies and other private sectors to join some community services such as:
 1. Scholarship – the company has started this program since 2003 to the children of the company employees and schools in Banbung areas for good grade students with financial needs.
 2. Student summer working program and training program – the company has started the program since 2003 in order to give training to students who need experience, and extra income during summer vacation.
 3. Blood donation – the company has joined the Health Office in Banbung to donate blood 4 times a year.
 4. Environment – the company has waste water treatment area of 13,000 square meters. The quality of the water after treatment was qualified according to the Ministry of Industry's standard.

5. Thai Local safe green area Project. Join to plant the tree at reservoir and public used area.
6. In addition, the company is in the process of studying converting vegetable waste from the production for fertilizers. At present, the company sells the vegetables to the companies who can make benefits.

(4) Information Disclosure and Transparency

In addition to the disclosure of financial information and other information to the public according to the requirement of Securities Exchange Commission and Securities Exchange of Thailand, the company also discloses the following:

1. Disclose the duty and responsibilities of each sub committees including the attendance statistics
2. Disclose the remuneration in monetary and non-monetary (if any)
3. Give opportunities to questions and comments through public relations or secretary.

(5) The Directors' Responsibilities

The Board of Directors includes people with knowledge, vision, capability and experiences in different areas that will benefit the most to the company. The board determines and agrees in the vision, mission, target and business plans and oversee the management to follow in order to create the shareholders' wealth.

At present, the ratio of independent director is according to the requirement by the Securities and Exchange Act i.e. not less than one-third of the board.

The Board of Directors holds regular meetings and extraordinary meetings if necessary. The documents need for the meetings are prepared and delivered to the directors at least 7 days in advance. Normally, the meeting takes 2-4 hours. The minutes are recorded and kept and approved by the Board. Invitation letters with agendas, and any information to be included for the meeting, if any in 2014, there were 7 meetings.

The company has appointed 3 sub-committees i.e. Audit Committee, Executive Committee, and Organizational Development Committee. The company does not have the Compensation Committee but use other appropriate measures for determination. The

considerations will be considered in line with the industry standard and the results of operation for determination. When sub-committee is not available, the Board of Directors will be considering the matters.

➤ **Corporate Social Responsibility**

Overall Policy

The company has corporate social responsibility policy to run business with responsible to social, environment and stakeholder as follow

Food and Drinks Public Company Limited has determination to operate with corporate social responsible that effect to many things from operating the business by stick to ethical, transparent business operating, proper labor practice, equal by not choosing practice, can be examined, ethical behavior, respect to human right, create political neutrality, fairness operating, anticorruption including support and participate by communication and concern about stakeholder benefit and affect to community and environment. Determine to produce quality food and services for safely to the consumer by practice according to international standard, law and other related regulations including improve, develop to build continuous and sustainable corporate social responsibility.

Operating

The company is operated according to the policy that mention above such as fairness treat to employee. The company is operated according main policy trading ethical to business partner including financial institute, customer and suppliers.

Moreover, about anti-corruption, the company operated according to anti-corruption policy and bribery as follow:

- Employee must not take or promise to take bribery from outsider or other employee by using position or company's duty to get benefit improperly to themselves or others
- Employee must working in good faith not defraud to their own position or working duty
- Employee must not cheating, corruption to their own duty and job.
- Employee must not give or promise to offer a bribe to make them get benefit or relieved from being an offender or the mistake they did.
- Employee must report the clue or any incident that expecting cheating or any action that will harm the company by report to personnel department immediately and that information is consider confidential and will not effect to the reporter.

About responsible to consumer, the company determined to produce quality food and services for safety to consumer is important by stick to international standard, law and other related regulation which made the company get certified on Good Manufacturing Practices: GMP) and Hazard Analysis and Critical Control Point (HACCP) from TQCS International (Group) Pty. and British Retailer Consortium (BRC) by NSF from United Kingdom which made company product's has reliable quality

Activity that make benefit to social and environment

Scholarship – the company has started this program since 2003 to the children of the company employees and schools in Banbung areas for good grade students with financial needs

In 2016, the company gave scholarship to the children of company employees and schools in Banbung area, Chonburi Province 307 scholarships in the amount of Baht 276,350.

Student summer working program and training program – the company has started the program since 2003 in order to give training to students who need experience, and extra income during summer vacation

Participated and supported plant the tree activity with the community at reservoir and public used area in Chonburi

Support beverage during Songkran festival at the police services area for the people in Chonburi

About the environment, the company has improve the waste water treatment system to be efficiency and start operated since 2006 by the company has signed an agreement with Benears Inc for setting a waste water treatment by using new technology from Japan. In order that the company has waste water treatment with the approval of the water after treatment in compliance with the requirement of Department of Industrial Works, Ministry of Industry.

About waste from raw material, the company is using them for the production for fertilizers to use in the plantation of rubber tree. The process has been approved by the Department of Industrial Work under the permit number 6086/2559 on 10 March 2016 in taking the waste out of the production facility for making fertilizer on the company's land.

➤ Internal Control and Risk Management

The Board of Directors has the opinion that internal control, risk management, and governance are satisfactory. The company is able to give the confidence about the transparency in operation, financial statements in 2016. The Audit Committee has reviewed with the management and external auditors to show the company's financial reports are correct, complete, and sufficient according to the general accounting rules. The accounting principles are considered constantly and follow accordingly. The disclosure of information is sufficient as auditor has expressed in the financial statements.

The company's has a good internal control system and supervisory to operate following the system. The company already informed internal control assessment information as at March 24, 2016 to auditor and audit committee which cover the weakness and important changing of internal control system including look after asset, prevent corruption and improperly action or mistake and damage which affect to financial report and company's operating and subsidiary company.

Moreover, The Board of Directors approved to hire Auditor Office of DIA Audit Company Limited to be our Internal Auditor as suggested by the Audit Committee since 2002. In 2016, internal audit team leader is Mr. Apinan Sripramoch (CPA# 5092) has been auditing system on the evaluation internal control by COSO in accordance with the internal control requirement that the company has set up and to advise any improvements.



Related-Party Transactions

Transactions occurred between the companies or persons who might have conflict of interest, or joint-venture's company which transactions occurred between the companies as normal business for the best interest of the company. The policy used in the transactions is based on the market price, or cost plus margin basis.

The company has purchase and sale transactions with Kawasho Corporation, which hold 8.3% shares. The type of products includes those that are same as other customers, and those that are different such as meat sauce. Because meat sauce has its own formulations, the price is calculated by using cost plus margin.

Relation with the related companies

Kawasho Corporation Co., Ltd. held F&D shares	1,142,700 shares or 7.6%
Kawasho (Thailand) Co., Ltd. held F&D shares	<u>100,000</u> shares or 0.7%
Kawasho Group held total	<u>1,242,700</u> shares or 8.3%

The company has purchase and rent and service charge from Hon Chuan FD Packaging Co., Ltd, which is a joint-venture company. The purchase price is according to the market price. The rent is based on the market price from the same area, and service fee is based on the ratio of service fee.

Related party transactions

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

(Unit: Million Baht)

	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
<u>Transactions with associate</u>			
Rental income and other service charges	4	4	Contract price
Purchases of packaging and supplies	7	8	Market price

(Unit: Million Baht)

	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
<u>Transactions with related company</u>			
Sales of goods	28	25	Cost plus margin
Purchases of raw materials	1	1	Market price

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

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
<u>Trade receivable - related party (Note 8)</u>		
Related Company (related by common director)	1,678	667
Total trade receivable - related party	<u>1,678</u>	<u>667</u>
<u>Other receivable - related party (Note 8)</u>		
Associate	666	676
Total other receivable - related party	<u>666</u>	<u>676</u>
<u>Trade payables - related parties (Note 15)</u>		
Associate	3,474	1,877
Related company (related by common director)	173	264
Total trade payables - related parties	<u>3,647</u>	<u>2,141</u>
<u>Other payable - related party (Note 15)</u>		
Associate	-	71
Total other payable - related party	<u>-</u>	<u>71</u>

Investment in associate

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding		Carrying amounts based on equity method		Cost	
			percentage					
			2016	2015	2016	2015	2016	2015
			(%)	(%)				
Hon Chuan FD Packaging Company Limited	Manufacture of plastic bottles and label	Thailand	35	35	136,403	149,904	68,203	68,203

Share of comprehensive income and dividend received

During the year, the Company has recognised its share of profit from investment in associate in the financial statements in which equity method is applied and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Financial statements in which equity method is applied		Separate financial statements	
	Share of profit from investment in associate during the year		Dividend received during the year	
	2016	2015	2016	2015
Hon Chuan FD Packaging Company Limited	140	8,130	13,641	19,779

Summarised financial information about associate

Summarised information about financial position

(Unit: Thousand Baht)

	Hon Chuan FD Packaging Company Limited	
	<u>2016</u>	<u>2015</u>
Current assets	254,434	267,302
Non-current assets	163,077	191,263
Current liabilities	26,301	28,954
Non-current liabilities	1,581	1,282
Net assets	389,629	428,329
Shareholding percentage (%)	35	35
Share of net assets	136,370	149,915
Elimination entries	33	(11)
Carrying amounts of associate	136,403	149,904

Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the year ended 31 December	
	Hon Chuan FD Packaging Company Limited	
	<u>2016</u>	<u>2015</u>
Revenue	276,464	409,878
Profit	272	24,181

The company expect the current related parties transaction are expected to continue and because of OEM product is the normal business therefore there is the approval process the same as other transactions. The related parties are Trading Company and doing the business with the company before held company's share.

For other related-party transactions which not count as a usual business transaction will have to get the approval from the Board of Directors by related director with that transaction has no right to vote on that transaction and disclosed type and value of related-party transaction including disclosed in the Annual Report.

The above transactions are reviewed by the Audit Committee and presented to the Board of Directors. There was no question in the transactions.

➤ Important Financial Ratio

Summary of Major Financial Ratios 2014 – 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>	
<u>Liquidity Ratio</u>				
Current ratio	0.9	0.7	0.8	times
Quick ratio	0.3	0.3	0.3	times
Accounts Receivable turnover	11.4	7.9	8.7	times
Days sales outstanding	31.6	45.6	41.4	day
Inventory turnover	8.3	9.8	12.6	times
Days inventory outstanding	43.4	36.7	28.6	day
Accounts Payable turnover	18.7	10.6	8.9	times
Days Accounts Payable outstanding	19.2	34.1	40.4	day
<u>Profitability Ratio</u>				
Gross Margin	8.6	4.7	8.4	%
Operating Profit	-9.4	-23.7	-8.2	%
Profit Margin on Sales	-5.0	-17.3	-8.7	%
Return on Equity -ROE	-4.6	-17.3	-12.8	%
<u>Efficiency Ratio</u>				
Return on Total Assets -ROA	-2.6	-10.5	-10.5	%
Return on Fixed Assets -ROFA	3.8	-12.5	-12.5	%
Assets turnover	0.7	0.7	0.7	times
<u>Financial Policy Ratio</u>				
Debt to Equity	0.4	0.6	0.6	times
Cash / Interest payment	0.2	0.1	0.1	times
Dividend payout	0	0	*	%

* To be approved at the Annual General Shareholders Meeting 1/2017.

➤ Management Discussion and Analysis

Food and Drinks Public Company Limited operating result in 2016 compare to 2015 and Financial Statement as at 31 December 2016 compare to 2015 which has been audited and approved by Certified Auditor and has been approved by the Board of Director can be summarized the major points as follows :

Operating Result

Company's Financial Statement in 2016 has net loss amount to Baht 64.6 million compared to last year financial statement which had net loss of Baht 82.5 million. Net loss ratio in 2016 is 8.7% (in 2015: Net loss ratio was 17.3) The company has loss per share at Baht 4.31 (in 2015: loss per share at Baht 5.50) and book value per share as at 31 December 2016 is equal to 38.23 Baht

Significant changes are as follows:

Revenue from sale in Baht 731.2 million increased by Baht 267.0 million or 57.5% from last year. Export sales increase 36.1% and Domestic increase 21.4% because of world economic recovery, but fluctuation problem in exchange rate. The company paid attention in situation closely and did marketing strategic planning, production and management carefully to be able to compete in the market. In this year, the company developed and launched new product. Made advertising and sales promotion and maintain good relationship with customers to increase sales.

Total revenue in 2016 in the amount of Baht 740.0 million came from selling various products such as vegetable, fruit, spices, ready to eat and beverage (total sales in 2015 was in Baht 477.1 million)

Export sales revenue in the amount of Baht 342.8 million which equals to 46.9% (2015 in the amount of Baht 175.3 million which was 37.8%) of total sales.

Other income in 2016 is in the amount of Baht 8.8 million which is the normal transaction (2015 has other income in Baht 12.8 million)

Cost of sales increased by Baht 227.1 million, cost of sale / sale ratio 91.6% (2015 has cost of sale / sale ratio 95.3%)

Selling and Administration expenses increased by Baht 21.6 million because the company had advertising and domestic sell promotion for ZUMMER product to support continue sales volume. The administrative expense decreased by Baht 14.6 million.

Financial cost in the amount of Baht 9.4 million, increased from last year by Baht 1.2 million because interest paid increased.

The Company record profit sharing in joint-venture by equity method of Baht 0.1 million decreased from last year by Baht 8.0 million (in 2015 was in Baht 8.1 million) which the joint-venture company is Hon Chuan FD Packaging Co., Ltd., manufacturer of plastic bottle, cap and label which the company hold shares 35%.

Corporate income tax in 2016 is Baht 4.8 million.

Statement of Financial Position

Statement of Financial Position as at 31 December 2016, the company has total asset of Baht 1,018.0 million increased from last year by Baht 304.1 million, total liabilities of Baht 444.6 million increased from last year by Baht 166.7 million and shareholders' equity of Baht 573.4 million increased from last year by Baht 137.5 million or 31.5%. The major changes in asset, liabilities and shareholders' equity are as follows:

Asset

Trade receivable increased by Baht 26.1 million. Due to domestic trade receivable increased according to sales amount. Inventory increased by Baht 51.2 million which is finished product and raw material prepare for production to export. Company record profit sharing in joint-venture by equity method of Baht 0.1 million and received dividend from joint-venture in Baht 13.6 million. The company has investment in joint-venture of Baht 136.4 million.

Inventory as at December 31, 2016 had reduced cost to be net value by reduced cost by Baht 18.1 million due to the company has allowance of obsolete goods according to strictly accounting principle by inventory aged more than 1 year will set 50% allowance, for inventory aged more than 2 year will set allowance the whole amount. But normal inventory aging is 1 – 3 years and some of raw materials are seasonal. They are not available all year round or they are available at significantly high price. Thus, the inventory has to be kept and deliver in partial as agreed with customers.

Inventory as of December 31, 2016 increased by Baht 51.2 million because most of inventory is produced in 1 – 3 months by inventory outstanding ratio is 29 days.

The company purchased machines, and improved production lines to maximize its production efficiency in the amount of Baht 15.1 million and depreciated in 2016 equals to Baht 28.0 million. As a result, the company arranged for an independent professional valuer to appraise the value of its land in 2016 by using the market approach, increased by Baht 252.6 million. The property plant and equipment net value increased by Baht 239.6 million.

Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Carrying amounts based on equity method		Cost	
			<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
			(%)	(%)				
Hon Chuan FD Packaging Company Limited	Manufacture of plastic bottles and label	Thailand	35	35	<u>136,403</u>	<u>149,904</u>	<u>68,203</u>	<u>68,203</u>

Share of comprehensive income and dividend received

During the year, the Company has recognised its share of profit from investment in associate in the financial statements in which equity method is applied and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Financial statements in which equity method is applied		Separate financial statements	
	Share of profit from investment in associate during the year		Dividend received during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Hon Chuan FD Packaging Company Limited	<u>140</u>	<u>8,130</u>	<u>13,641</u>	<u>19,779</u>

Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of

business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	(Unit: Million Baht)		
	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
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<u>Transactions with related company</u>			
Sales of goods	28	25	Cost plus margin
Purchases of raw materials	1	1	Market price

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

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
<u>Trade receivable - related party (Note 8)</u>		
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<u>Other payable - related party (Note 15)</u>		
Associate	-	71
Total other payable - related party	<u>-</u>	<u>71</u>

The company started rubber tree plantation in the empty company's land since 3rd quarter of 2012 by investment in Baht 14.34 million which including rubber tree and rubber tree plantation expenses. Rubber tree maintenance cost in 2016 increased by

Baht 0.5 million. The company expect to tapping rubber tree when their aged 6 – 7 years and can be tapped for 25 years.

Liabilities

The company has total liability in Baht 444.6 million increased from last year by Baht 166.7 million or 59.9% came from the increasing of current liability which are short-term loans from financial institutions increased by Baht 56.1 million, trade and other payables increased by Baht 52.1 million by used in inventory and investment in machine and equipment. The long-term loan from financial institution increased from last year by Baht 3.3 million and the deferred tax liabilities in Baht 56.7 million, increased from last year by Baht 55.3 million

Shareholders' Equity

In 2016, shareholders' equity is equal to Baht 573.4 million increased from last year by Baht 137.5 million or 46.4 from loss of company's operating result for the amount of Baht 64.6 million, but other component of shareholders' equity increased by Baht 202.1 million.

Company's capital management by provide suitable capital structure for supporting company business operating activity and strengthen share value to share holder by as at December 31, 2016 in Statement of Financial Position, the company has liability/capital ratio 0.8 : 1 (2015 : 0.6 : 1)

Cash Flow Statement

Cash Flow Statement for year ended as at 31 December 2016, the company has cash and cash equivalent transaction net decreased from 31 December 2015 in Baht 6.3 million by separate cash flow to each activity as follow :

1. Cash flow from operating activity has net cash in Baht 61.5 million has essence transaction as follows:

- Profit from operating before change in operating asset and liability	-14.5 million Baht
- Trade and other receivables increased	-28.0 million Baht
- Inventory increased	-53.6 million Baht
- Other current asset increased	-14.5 million Baht

- Trade and other payable increased	52.0 million Baht
- Interest paid	-8.5 million Baht
- Income tax paid	-0.2 million Baht
- Cash receipt from withholding tax refundable	5.6 million Baht

2. Cash flow from investing activity, net cash used in Baht 1.1 million has major transaction as follows:

- Received dividend from associated company of	13.6 million Baht
- Purchase of equipment	-14.4 million Baht
- Cost of rubber plantation increased	-0.5 million Baht
- Proceeds from sales of equipment	1.0 million Baht

3. Cash flow from financing activity, net cash used in Baht 56.3 million has major transaction as follows:

- Bank overdraft and short-term loan from Financial institution increased	56.1 million Baht
- Loan payment under finance lease agreements	-3.1 million Baht
- Cash receipt from long-term loan from financial institution	3.6 million Baht
- Paid long term loan	-0.3 million Baht

Company's source of capital mainly came from revenue from company's operating and credit from local commercial bank for supporting current capital and investment project by the company is carefully in management capital structure.

In 2016, company has liquidity ratio 0.8 time (2015 : 0.7 time) and Debt/Equity Ratio as at December 31, 2016 at 0.8 time (2015: 0.6 time) which is in the average of the industry.

Trend of future business operation, the company has goal to expand domestic and export market and strengthen company's own brand products by increase efficiency in utilizing its plant, machine and equipment. However, the company has investment plan to improve and expand the production to meet customer's requirement.

The company started to expand the market to AEC countries such as Cambodia and Myanmar in small amount. The company's main market is still in Australia, Japan, USA and European countries by maintain the existing customer base who have long term relationship and contact new customer and support research and development of new products in order to compete in the market.

The company will also emphasize in building its own brand to be well known in the market, and to increase long-term revenue and profit to the company and make pride to the employee.

➤ **Financial Statement**

Food and Drinks Public Company Limited

Report and financial statements

31 December 2016 and 2015



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Independent Auditor's Report

To the Shareholders of Food and Drinks Public Company Limited

Opinion

I have audited the accompanying financial statements in which the equity method is applied of Food and Drinks Public Company Limited, which comprise the statement of financial position as at 31 December 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements in which the equity method is applied, including a summary of significant accounting policies, and have also audited the separate financial statements of Food and Drinks 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 Food and Drinks Public Company Limited as at 31 December 2016, its 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 Company 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.

A member firm of Ernst & Young Global Limited



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 Company has revenue from domestic and export sales. As a result, the Company's recognition of revenue from sales is difference. In addition, the economic slowdown has directly resulted in more intense competition in the food and beverage industry. There are therefore risks with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Company by

- Assessing and testing the Company's 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, and with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks.
- Applying a sampling method to select sales transactions to assess whether revenue recognition was consistent with the conditions of the sale documents, 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 Notes 5 and Notes 9 to the financial statements, is an area of significant management judgment, 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.
- Comparing historical data of actual losses on sales and write-offs of inventory during the past years with the provision for diminution in value of inventory recorded at the preceding year-end.

Deferred tax

The Company has disclosed its accounting policy and details relating to deferred tax in Notes 4.15 and Notes 22 to the financial statements. A deferred tax asset is recognised when it is highly probable that the Company's taxable profit will be sufficient to allow utilisation of the deferred tax in the future. Determining whether there will be sufficient future taxable profit to utilise temporary differences or taxable losses requires significant management judgment with respect to preparation of business plans and projections of future taxable profit based on approved business plans. Therefore, there is a risk with respect to the amount of deferred tax assets.



I made enquiry of responsible executives, gained an understanding of and tested the key related controls over the preparation and approval of the estimates of future taxable profit for the purposes of deferred tax asset recognition. I assessed the estimates of future taxable profit by checking the required information and key economic assumptions used in the projections against information from both internal and external sources, with consideration of information and assumptions that directly affect revenue growth and gross profit margin. Furthermore, I compared the past projections with actual taxable profits to assess the exercise of management judgment in estimating taxable profits. I also tested the calculation of future taxable profit based on the above information and assumptions. In addition, I reviewed the disclosure of information regarding temporary differences and unused tax losses for which deferred tax assets were not recognised by the Company.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company 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 Company, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the 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 Company 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.

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 Miss
Thipawan Nananuwat

A handwritten signature in black ink, appearing to read "Thipawan Nananuwat".

Thipawan Nananuwat
Certified Public Accountant (Thailand) No. 3459

EY Office Limited
Bangkok: 27 February 2017

Food and Drinks Public Company Limited

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Financial statements		Separate financial statements	
		in which equity method is applied			
		As at	As at	As at	As at
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Assets					
Current assets					
Cash and cash equivalents	7	1,599,600	7,862,879	1,599,600	7,862,879
Current investment		1,131,379	1,114,824	1,131,379	1,114,824
Trade and other receivables	8	97,685,859	71,604,603	97,685,859	71,604,603
Inventories	9	147,032,056	95,857,825	147,032,056	95,857,825
Advance payment for import duties		981,669	981,669	981,669	981,669
Other current assets		25,457,713	11,001,072	25,457,713	11,001,072
Total current assets		273,888,276	188,422,872	273,888,276	188,422,872
Non-current assets					
Restricted bank deposit		901,330	901,330	901,330	901,330
Investment in associate	10	136,403,379	149,903,723	68,202,710	68,202,710
Property, plant and equipment	11	576,084,600	336,429,016	576,084,600	336,429,016
Cost of rubber plantation	12	22,582,590	22,071,740	22,582,590	22,071,740
Intangible assets	13	6,165,792	8,081,025	6,165,792	8,081,025
Other non-current assets		1,967,102	8,088,446	1,967,102	8,088,446
Total non-current assets		744,104,793	525,475,280	675,904,124	443,774,267
Total assets		1,017,993,069	713,898,152	949,792,400	632,197,139

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

Food and Drinks Public Company Limited

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

		Financial statements				
		in which equity method is applied		Separate financial statements		
		As at	As at	As at	As at	
Note		31 December 2016	31 December 2015	31 December 2016	31 December 2015	
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans						
	from financial institutions	14	235,516,957	179,389,134	235,516,957	179,389,134
	Trade and other payables	15	120,682,852	68,612,545	120,682,852	68,612,545
Current portion of liabilities under						
	finance lease agreements	16	1,869,648	2,906,439	1,869,648	2,906,439
	Current portion of long-term loan	17	1,200,000	-	1,200,000	-
	Other current liabilities		1,263,948	1,118,594	1,263,948	1,118,594
	Total current liabilities		360,533,405	252,026,712	360,533,405	252,026,712
Non-current liabilities						
Liabilities under finance lease agreements,						
	net of current portion	16	240,457	2,112,948	240,457	2,112,948
Long-term loan from financial institution,						
	net of current portion	17	2,100,000	-	2,100,000	-
	Provision for long-term employee benefits	18	24,974,611	22,362,959	24,974,611	22,362,959
	Deferred tax liabilities	22	56,742,028	1,449,546	56,742,028	1,449,546
	Total non-current liabilities		84,057,096	25,925,453	84,057,096	25,925,453
	Total liabilities		444,590,501	277,952,165	444,590,501	277,952,165

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

Food and Drinks Public Company Limited

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Financial statements			
	in which equity method is applied		Separate financial statements	
	As at	As at	As at	As at
Note	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Shareholders' equity				
Share capital				
Registered				
15,000,000 ordinary shares of Baht 10 each	150,000,000	150,000,000	150,000,000	150,000,000
Issued and fully paid				
15,000,000 ordinary shares of Baht 10 each	150,000,000	150,000,000	150,000,000	150,000,000
Share premium	99,425,000	99,425,000	99,425,000	99,425,000
Retained earnings (deficit)				
Appropriated-statutory reserve	20 15,431,000	15,431,000	15,431,000	15,431,000
Unappropriated (deficit)	(34,254,532)	30,368,887	(102,455,201)	(51,332,126)
Other component of shareholders' equity	342,801,100	140,721,100	342,801,100	140,721,100
Total shareholders' equity	573,402,568	435,945,987	505,201,899	354,244,974
Total liabilities and shareholders' equity	1,017,993,069	713,898,152	949,792,400	632,197,139

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

Directors

Food and Drinks Public Company Limited

Statement of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

	Note	Financial statements			
		in which equity method is applied		Separate financial statements	
		2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales		731,236,579	464,270,414	731,236,579	464,270,414
Dividend income from associate	10	-	-	13,640,542	19,778,785
Other income		8,793,639	12,773,141	8,793,639	12,773,141
Total revenues		740,030,218	477,043,555	753,670,760	496,822,340
Expenses					
Cost of sales		669,592,319	442,493,172	669,592,319	442,493,172
Selling expenses		77,929,009	56,364,120	77,929,009	56,364,120
Administrative expenses		43,145,613	57,699,601	43,145,613	57,699,601
Impairment loss on assets		-	20,837,371	-	20,837,371
Total expenses		790,666,941	577,394,264	790,666,941	577,394,264
Loss before share of profit from investment in associate, finance cost and income tax income (expenses)		(50,636,723)	(100,350,709)	(36,996,181)	(80,571,924)
Share of profit from investment in associate	10	140,198	8,129,969	-	-
Loss before finance cost and income tax income (expenses)		(50,496,525)	(92,220,740)	(36,996,181)	(80,571,924)
Finance cost		(9,354,411)	(8,110,360)	(9,354,411)	(8,110,360)
Loss before income tax income (expenses)		(59,850,936)	(100,331,100)	(46,350,592)	(88,682,284)
Income tax income (expenses)	22	(4,772,483)	17,840,712	(4,772,483)	17,840,712
Loss for the year		(64,623,419)	(82,490,388)	(51,123,075)	(70,841,572)
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Changes in revaluation of land	11	252,600,000	-	252,600,000	-
Less: Income tax effect	22	(50,520,000)	-	(50,520,000)	-
Other comprehensive income for the year		202,080,000	-	202,080,000	-
Total comprehensive income for the year		137,456,581	(82,490,388)	150,956,925	(70,841,572)
Earnings per share	23				
Basic earnings (loss) per share					
Loss attributable to equity holders of the Company		(4.31)	(5.50)	(3.41)	(4.72)

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

Food and Drinks Public Company Limited

Statement of changes in shareholders' equity

For the year ended 31 December 2016

(Unit: Baht)

	Financial statements in which equity method is applied					
					Other component of shareholders' equity	
					Other comprehensive	
	Issued and paid-up		Retained earnings (deficit)		income	
	share capital	Share premium	statutory reserve	Unappropriated	Revaluation surplus on land (Note 19)	Total
Balance as at 1 January 2015	150,000,000	99,425,000	15,431,000	112,859,275	140,721,100	518,436,375
Loss for the year	-	-	-	(82,490,388)	-	(82,490,388)
Balance as at 31 December 2015	150,000,000	99,425,000	15,431,000	30,368,887	140,721,100	435,945,987
						-
Balance as at 1 January 2016	150,000,000	99,425,000	15,431,000	30,368,887	140,721,100	435,945,987
Loss for the year	-	-	-	(64,623,419)	-	(64,623,419)
Other comprehensive income for the year	-	-	-	-	202,080,000	202,080,000
Total comprehensive income for the year	-	-	-	(64,623,419)	202,080,000	137,456,581
Balance as at 31 December 2016	150,000,000	99,425,000	15,431,000	(34,254,532)	342,801,100	573,402,568

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

Food and Drinks Public Company Limited

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2016

(Unit: Baht)

	Separate financial statements					Total
	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Other component of shareholders' equity Other comprehensive income	
			Appropriated -		Revaluation surplus	
			statutory reserve	Unappropriated	on land (Note 19)	
Balance as at 1 January 2015	150,000,000	99,425,000	15,431,000	19,509,446	140,721,100	425,086,546
Loss for the year	-	-	-	(70,841,572)	-	(70,841,572)
Balance as at 31 December 2015	<u>150,000,000</u>	<u>99,425,000</u>	<u>15,431,000</u>	<u>(51,332,126)</u>	<u>140,721,100</u>	<u>354,244,974</u>
						-
Balance as at 1 January 2016	150,000,000	99,425,000	15,431,000	(51,332,126)	140,721,100	354,244,974
Loss for the year	-	-	-	(51,123,075)	-	(51,123,075)
Other comprehensive income for the year	-	-	-	-	202,080,000	202,080,000
Total comprehensive income for the year	-	-	-	(51,123,075)	202,080,000	150,956,925
Balance as at 31 December 2016	<u>150,000,000</u>	<u>99,425,000</u>	<u>15,431,000</u>	<u>(102,455,201)</u>	<u>342,801,100</u>	<u>505,201,899</u>

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

Food and Drinks Public Company Limited

Cash flow statement

For the year ended 31 December 2016

(Unit: Baht)

	Financial statements			
	in which equity method is applied		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Loss before tax	(59,850,936)	(100,331,100)	(46,350,592)	(88,682,284)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	29,940,028	38,352,096	29,940,028	38,352,096
Doubtful accounts	1,977,813	5,870,679	1,977,813	5,870,679
Reducing cost of inventory to net realisable value (reversal)	2,393,929	(1,189,366)	2,393,929	(1,189,366)
Write-off stock obsolescences	-	591,099	-	591,099
Gain on sales equipment	(1,018,687)	(365,337)	(1,018,687)	(365,337)
Loss on write-off of building and equipment	-	81,654	-	81,654
Impairment loss on assets	-	20,837,371	-	20,837,371
Share of profit from investment in associate	(140,198)	(8,129,969)	-	-
Dividend income from associate	-	-	(13,640,542)	(19,778,785)
Long-term employee benefits expenses	3,369,452	3,113,191	3,369,452	3,113,191
Unrealised exchange losses	59,205	120,502	59,205	120,502
Interest income	(40,800)	(55,081)	(40,800)	(55,081)
Interest expenses	8,776,900	7,842,920	8,776,900	7,842,920
Loss from operating activities before changes in operating assets and liabilities	(14,533,294)	(33,261,341)	(14,533,294)	(33,261,341)
Operating assets (increase) decrease				
Trade and other receivables	(27,965,449)	(29,599,706)	(27,965,449)	(29,599,706)
Inventories	(53,568,160)	(1,264,949)	(53,568,160)	(1,264,949)
Other current assets	(14,456,641)	(2,056,558)	(14,456,641)	(2,056,558)
Other non-current assets	774,849	(1,263,699)	774,849	(1,263,699)
Operating liabilities increase (decrease)				
Trade and other payables	52,009,352	19,968,509	52,009,352	19,968,509
Other current liabilities	145,354	(26,471)	145,354	(26,471)
Cash paid for long-term employee benefits	(757,800)	(597,059)	(757,800)	(597,059)
Cash used in operating activities	(58,351,789)	(48,101,274)	(58,351,789)	(48,101,274)
Cash paid for interest expenses	(8,527,431)	(7,455,687)	(8,527,431)	(7,455,687)
Cash paid for corporate income tax	(211,136)	(315,863)	(211,136)	(315,863)
Cash receipt from withholding tax refundable	5,557,630	-	5,557,630	-
Net cash flows used in operating activities	(61,532,726)	(55,872,824)	(61,532,726)	(55,872,824)

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

Food and Drinks Public Company Limited

Cash flow statement (continued)

For the year ended 31 December 2016

(Unit: Baht)

	Financial statements			
	in which equity method is applied		Separate financial statements	
	2016	2015	2016	2015
Cash flows from investing activities				
Increase in restricted bank deposits	-	(901,330)	-	(901,330)
Dividend income from associate	13,640,542	19,778,785	13,640,542	19,778,785
Acquisition of building improvement and equipment	(14,408,339)	(6,106,339)	(14,408,339)	(6,106,339)
Cash paid for payable from purchase of equipment	(824,001)	(498,638)	(824,001)	(498,638)
Increase in cost of rubber plantation	(510,850)	(1,935,042)	(510,850)	(1,935,042)
Increase in intangible asset	-	(2,686,500)	-	(2,686,500)
Proceeds from sales of equipment	1,018,687	366,916	1,018,687	366,916
Interest income	24,435	26,289	24,435	26,289
Net cash flows from (used in) investing activities	(1,059,526)	8,044,141	(1,059,526)	8,044,141
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans				
from financial institutions	56,127,823	64,389,134	56,127,823	64,389,134
Repayment of liabilities under finance lease agreements	(3,098,850)	(3,204,504)	(3,098,850)	(3,204,504)
Cash receipt from long-term loan from financial institution	3,600,000	-	3,600,000	-
Repayment of long-term loans	(300,000)	(18,192,589)	(300,000)	(18,192,589)
Net cash flows from financing activities	56,328,973	42,992,041	56,328,973	42,992,041
Net decrease in cash and cash equivalents	(6,263,279)	(4,836,642)	(6,263,279)	(4,836,642)
Cash and cash equivalents at beginning of year	7,862,879	12,699,521	7,862,879	12,699,521
Cash and cash equivalents at end of year	1,599,600	7,862,879	1,599,600	7,862,879
Supplemental cash flows information:				
Non-cash items				
Acquisition of equipment for which no cash had been paid	672,040	753,381	672,040	753,381

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

Food and Drinks Public Company Limited**Notes to financial statements****For the year ended 31 December 2016****1. General information**

Food and Drinks 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 foods products, beverages, frozen foods and products of rubber trees. The registered office of the Company is at 695/1 Moo 1 Banbung - Bankai Road, Klongkaew, Banbung, Chonburi.

Production of rubber tree products - currently in the process of planting rubber trees.

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 The separate financial statements, which present investment in associate 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 has 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 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, product growing on a bearer plant 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 to record biological assets from latex in trees for the first time, measured at fair value less costs to sell. It also requires a change in its accounting treatment for agricultural produce, with latex, which was previously recognised at cost, being recognised at fair value less costs to sell.

This standard does not have any impact on the financial statements as the Company is still in the process of planting rubber trees and the Company’s rubber trees have not yet produced latex.

(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 is 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 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.

At present, the management of the Company is evaluating the impact of this standard to the financial statements in the year when it is adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

Finished goods are valued at the lower of cost (under average method) and net realisable value. The cost includes all production costs and attributable factory overheads.

Raw materials and packaging and supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

- a) Investment in associate is accounted for in the financial statements in which equity method is applied using the equity method.
- b) Investment in associate is accounted for in the separate financial statements using the cost method.

4.6 Property, plant and equipment/Depreciation

Land is stated at revalued amount.

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

Land is initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to its fair values. Revaluations are 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 the carrying amount of land is increased as a result of a revaluation of the Company's land, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When the carrying amount of land is decreased as a result of a revaluation of the Company's land, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus on land" in respect of the same asset.

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

Buildings	-	20 years
Building improvement	-	5 - 20 years
Machinery and equipment	-	3 - 10 years
Furniture, fixtures and office equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

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

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 the profit or loss when the asset is derecognised.

4.7 Cost of rubber plantation/Amortisation

Cost of rubber plantation is stated at cost less accumulated amortisation and allowance for impairment losses (if any). The cost consists of costs and expenses which are directly related to rubber tree seeding and plantation activities before the production period.

Amortisation is calculated based on cost of plantation of rubber trees that are ready for tapping on a straight-line basis over the estimated productive life of rubber trees, 20 years.

Amortisation is included in determining income.

No amortisation is provided on cost of plantation of rubber trees that are not ready for tapping.

4.8 Intangible asset

Intangible assets acquired are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and allowance for 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 asset with finite useful lives is as follows.

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

4.9 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 company 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.

4.10 Long-term leases

Leases of assets 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 asset acquired under finance leases is depreciated over the useful life of the asset.

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

4.11 Foreign currencies

The financial statements are presented in Baht, which is also the Company's functional currency. Transactions in foreign currencies are translated into Baht at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.12 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 asset 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 the profit and 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.

4.13 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.

4.14 Provisions

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

4.15 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 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 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 record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.16 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 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 measure fair value using valuation technique that are appropriate in the circumstances and maximises 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 categorise 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 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.

5. Significant accounting judgements 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 judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

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

Reduce cost of inventory to net realisable value

In determining a reduce cost of inventory to net realisable value, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period. Also, the management makes judgement and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

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 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. The valuation involves certain assumptions and estimates as described in Note 11.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined

that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

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

Post-employment benefits under defined benefit plans

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

6. Related party transactions

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

	(Unit: Million Baht)		
	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
<u>Transactions with associate</u>			
Rental income and other service charges	4	4	Contract price
Purchases of packaging and supplies	7	8	Market price
<u>Transactions with related company</u>			
Sales of goods	28	25	Cost plus margin
Purchases of raw materials	1	1	Market price

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

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
<u>Trade receivable - related party (Note 8)</u>		
Related Company (related by common director)	1,678	667

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Total trade receivable - related party	<u>1,678</u>	<u>667</u>
<u>Other receivable - related party (Note 8)</u>		
Associate	<u>666</u>	<u>676</u>
Total other receivable - related party	<u>666</u>	<u>676</u>
<u>Trade payables - related parties (Note 15)</u>		
Associate	<u>3,474</u>	<u>1,877</u>
Related company (related by common director)	<u>173</u>	<u>264</u>
Total trade payables - related parties	<u>3,647</u>	<u>2,141</u>
<u>Other payable - related party (Note 15)</u>		
Associate	<u>-</u>	<u>71</u>
Total other payable - related party	<u>-</u>	<u>71</u>

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Million Baht)	
	<u>2016</u>	<u>2015</u>
Short-term employee benefits	<u>17</u>	<u>17</u>
Post-employment benefits	<u>1</u>	<u>1</u>
Total	<u>18</u>	<u>18</u>

7. Cash and cash equivalents

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Cash	<u>40</u>	<u>40</u>
Bank deposits	<u>1,560</u>	<u>7,823</u>
Total	<u>1,600</u>	<u>7,863</u>

As at 31 December 2016, bank deposits in saving accounts carried interests between 0.125 and 0.50 percent per annum (2015: between 0.125 and 1.00 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
<u>Trade receivable - related party</u>		
Aged on the basis of due dates		
Not yet due	-	616
Past due		
Up to 3 months	1,635	51
3 - 6 months	34	-
Over 12 months	9	-
Total	1,678	667
Less: Allowance for doubtful debts	(9)	-
Total trade receivable - related party, net	1,669	667

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	44,055	45,403
Past due		
Up to 3 months	40,948	22,000
3 - 6 months	6,792	1,205
6 - 12 months	3,373	4,575
Over 12 months	7,840	2,838
Total	103,008	76,021
Less: Allowance for doubtful debts	(7,840)	(5,871)
Total trade receivables - unrelated parties, net	95,168	70,150
Total trade receivables - net	96,837	70,817
<u>Other receivables</u>		
Other receivable - related party	666	676
Advances	176	105
Interest receivable	7	7
Total other receivables	849	788
Total trade and other receivables - net	97,686	71,605

9. Inventories

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	2016	2015	2016	2015	2016	2015
Finished goods	68,819	37,399	(18,071)	(15,677)	50,748	21,722
Raw materials	50,896	35,988	-	-	50,896	35,988
Packaging and supplies	45,188	36,069	-	-	45,188	36,069
Goods in transit	200	2,079	-	-	200	2,079
Total	<u>165,103</u>	<u>111,535</u>	<u>(18,071)</u>	<u>(15,677)</u>	<u>147,032</u>	<u>95,858</u>

During the current year, the Company reduced cost of inventories by Baht 3 million (2015: Baht 5 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 1 million (2015: Baht 6 million), and reduced the amount of inventories recognised as expenses during the year.

10. Investment in associate

10.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Carrying amounts based on equity method		Cost	
			2016 (%)	2015 (%)	2016	2015	2016	2015
Hon Chuan FD Packaging Company Limited	Manufacture of plastic bottles and label	Thailand	35	35	<u>136,403</u>	<u>149,904</u>	<u>68,203</u>	<u>68,203</u>

10.2 Share of comprehensive income and dividend received

During the year, the Company has recognised its share of profit from investment in associate in the financial statements in which equity method is applied and dividend income in the separate financial statements as follows:

Company's name	Financial statements		(Unit: Thousand Baht)	
	in which equity method is applied		Separate	
	Share of profit from investment in associate during the year		Dividend received during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Hon Chuan FD Packaging Company Limited	140	8,130	13,641	19,779

10.3 Summarised financial information about associate

Summarised information about financial position

	(Unit: Thousand Baht)	
	Hon Chuan FD Packaging Company Limited	
	<u>2016</u>	<u>2015</u>
Current assets	254,434	267,302
Non-current assets	163,077	191,263
Current liabilities	26,301	28,954
Non-current liabilities	1,581	1,282
Net assets	389,629	428,329
Shareholding percentage (%)	35	35
Share of net assets	136,370	149,915
Elimination entries	33	(11)
Carrying amounts of associate based on equity method	136,403	149,904

Summarised information about comprehensive income

	(Unit: Thousand Baht)	
	For the year ended 31 December	
	Hon Chuan FD Packaging Company Limited	
	<u>2016</u>	<u>2015</u>
Revenue	276,464	409,878
Profit	272	24,181

11. Property, plant and equipment

(Unit: Thousand Baht)

	Revaluation basis	Cost basis						
				Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
	Land	Buildings	Building improvement					
Cost / Revalued amount:								
As at 1 January 2015	195,000	169,481	200,791	485,584	24,981	15,347	2,360	1,093,544
Additions	-	-	140	3,173	969	-	2,577	6,859
Disposals and write-off	-	(6,258)	(30,898)	(49,988)	(12,886)	(1,295)	-	(101,325)
Transfers	-	1,506	260	1,541	-	-	(3,307)	-
As at 31 December 2015	195,000	164,729	170,293	440,310	13,064	14,052	1,630	999,078
Additions	-	-	367	7,046	377	-	7,290	15,080
Disposals	-	-	-	(2,140)	-	(3,766)	-	(5,906)
Transfers	-	-	-	7,563	1,050	-	(8,613)	-
Revaluations	252,600	-	-	-	-	-	-	252,600
As at 31 December 2016	447,600	164,729	170,660	452,779	14,491	10,286	307	1,260,852
Accumulated depreciation:								
As at 1 January 2015	-	118,532	156,449	395,583	23,251	11,842	-	705,657
Depreciation for the year	-	8,001	9,751	18,295	699	651	-	37,397
Depreciation on disposals and write-off	-	(6,183)	(30,897)	(49,982)	(12,885)	(1,295)	-	(101,242)
As at 31 December 2015	-	120,350	135,303	363,896	11,065	11,198	-	641,812
Depreciation for the year	-	6,180	6,829	13,538	826	652	-	28,025
Depreciation on disposals	-	-	-	(2,140)	-	(3,766)	-	(5,906)
As at 31 December 2016	-	126,530	142,132	375,294	11,891	8,084	-	663,931
Allowance for impairment loss:								
As at 1 January 2015	-	-	-	-	-	-	-	-
Increase during the year	-	-	1,937	18,847	53	-	-	20,837
As at 31 December 2015	-	-	1,937	18,847	53	-	-	20,837
As at 31 December 2016	-	-	1,937	18,847	53	-	-	20,837
Net book value:								
As at 31 December 2015	195,000	44,379	33,053	57,567	1,946	2,854	1,630	336,429
As at 31 December 2016	447,600	38,199	26,591	58,638	2,547	2,202	307	576,084
Depreciation for the year								
2015 (Baht 36 million included in manufacturing cost, and the balance in administrative expenses)								37,397
2016 (Baht 27 million included in manufacturing cost, and the balance in administrative expenses)								28,025

The Company arranged for an independent professional valuer to appraise the value of its land in 2016 by using the market approach.

Key assumptions used in the valuation are summarised below:

Price per rai (Baht)	700,000 - 1,300,000
Result to fair value where as an increase in assumption value	Increase in fair value

Had the land been carried in the financial statements on historical cost basis, its net book values as of 31 December 2016 would have been approximately Baht 19 million (2015: Baht 19 million).

As at 31 December 2016, the Company had vehicles and equipment with net book values of Baht 2 million (2015: Baht 2 million) which were acquired under finance lease agreements.

As at 31 December 2016, certain items of plant and equipment were 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 427 million (2015: Baht 367 million).

The Company has mortgaged certain plots of its land with constructions thereon and certain machinery, with book values as at 31 December 2016 amounting to approximately Baht 461 million (2015: Baht 234 million), as collateral against short-term and long-term credit facilities received from financial institutions.

12. Cost of rubber plantation

(Unit: Thousand Baht)

Net book value as at 1 January 2016	22,072
Additions	511
Net book value as at 31 December 2016	<u>22,583</u>

13. Intangible assets

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

(Unit: Thousand Baht)

	Computer software
As at 31 December 2016	
Cost	9,576
<u>Less</u> Accumulated amortisation	<u>(3,410)</u>
Net book value	<u>6,166</u>

	(Unit: Thousand Baht)
	Computer software
As at 31 December 2015	
Cost	9,576
<u>Less</u> Accumulated amortisation	(1,495)
Net book value	8,081

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

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	8,081	6,350
Acquisition of computer software	-	2,686
Amortisation	(1,915)	(955)
Net book value at end of year	<u>6,166</u>	<u>8,081</u>

14. Bank overdrafts and short-term loans from financial institutions

	(Unit: Thousand Baht)	
	Interest rate	
	(percent per annum)	
	<u>2016</u>	<u>2015</u>
Bank overdrafts	MOR	15,920
Promissory notes	3.47 - 4.79	215,730
Trust Receipts	4.70 - 4.75	3,867
Total		<u>235,517</u>

Banks overdrafts and short-term loans from financial institutions are secured by mortgage the certain plots of its land with constructions thereon and certain machinery as described in Note 11 to the financial statements.

15. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Trade payables - related parties	3,647	2,141
Trade payables - unrelated parties	93,932	50,464
Other payable - related party	-	71
Other payables - unrelated parties	12,021	7,252

Accrued expenses	10,018	8,459
Advance received	1,065	226
Total trade and other payables	120,683	68,613

16. Liabilities under finance lease agreements

	(Unit: Thousand Baht)	
	2016	2015
Liabilities under finance lease agreements	2,163	5,264
Less: Deferred interest expenses	(53)	(245)
Total	2,110	5,019
Less: Portion due within one year	(1,870)	(2,906)
Liabilities under finance lease agreements - net of current portion	240	2,113

The Company has entered into the finance lease agreements with leasing companies for rental of vehicles, equipment and intangible asset for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreement are generally between 3 and 5 years.

Future minimum lease payments required under the finance lease agreement was as follows:

	(Unit: Thousand Baht)		
	As at 31 December 2016		
	Less than		
	1 year	1 - 2 years	Total
Future minimum lease payments	1,921	242	2,163
Deferred interest expenses	(51)	(2)	(53)
Present value of future minimum lease payments	1,870	240	2,110

	(Unit: Thousand Baht)		
	As at 31 December 2015		
	Less than		
	1 year	1 - 3 years	Total
Future minimum lease payments	3,099	2,165	5,264
Deferred interest expenses	(193)	(52)	(245)
Present value of future minimum lease payments	2,906	2,113	5,109

17. Long-term loans

			(Unit: Thousand Baht)	
Loan	Interest rate	Repayment	2016	2015
1	BIBOR plus a certain percentage	Payable on a quarterly basis. Starting from October 2016.	3,300	-
Less: Current portion			(1,200)	-
Long-term loans, net of current portion			2,100	-

As at 31 December 2016, the long-term credit facility of the Company which has not yet been drawn down totaling of US dollar 0.1 million (2015: None).

Long-term loans are secured by mortgage of the certain plots of its land with constructions thereon as described in Note 11 to the financial statements.

18. Provision for long-term employee benefits

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

			(Unit: Thousand Baht)	
			<u>2016</u>	<u>2015</u>
Provision for long-term employee benefits				
at beginning of year			22,363	19,847
Current service cost			2,574	2,407
Interest cost			795	706
Benefits paid during the year			(757)	(597)
Provision for long-term employee benefits				
at end of year			24,975	22,363

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

			(Unit: Thousand Baht)	
			<u>2016</u>	<u>2015</u>
Cost of sales			2,002	1,907
Selling and administrative expenses			1,367	1,206
Total expenses recognised in profit or loss			3,369	3,113

The Company expect to pay Baht 1 million of long-term employee benefits during the next year (2015: Baht 1 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 19 years (2015: 21 years).

Significant actuarial assumptions are summarised below:

	<u>2016</u>	<u>2015</u>
	(% per annum)	(% per annum)
Discount rate	3.6	3.6
Salary increase rate	3.5 - 5.0	3.5 - 5.0
Turnover rate	0 - 76.0	0 - 76.0

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 and 2015 are summarised below:

	(Unit: Thousand Baht)			
	<u>2016</u>		<u>2015</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(1,057)	1,176	(1,025)	1,146
Salary increase rate	1,884	(1,711)	1,582	(1,437)
Turnover rate	(772)	835	(1,132)	771

19. Revaluation surplus on land

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

20. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit 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.

21. Expenses by nature

Significant expenses classified by nature are as follow:

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Salaries and wages and other employee benefits	131,810	110,127
Depreciation	28,025	37,397
Advertising and promotion expenses	36,049	31,026
Rental expenses from operating lease agreements	3,793	3,552
Raw materials and consumables used	453,721	204,644
Changes in inventories of finished goods	(31,420)	15,796

22. Income tax

Income tax expenses (income) for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	Financial statements in which equity method is applied		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Current income tax charge	-	-	-	-
Deferred tax:				
Relating to origination of temporary differences	(12)	(4,433)	(12)	(4,433)
Relating to origination of tax losses carried forward	4,784	(13,408)	4,784	(13,408)
Income tax expenses (income) reported in the statement of comprehensive income	<u>4,772</u>	<u>(17,841)</u>	<u>4,772</u>	<u>(17,841)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Financial statements in which equity method is applied		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax on gain from revaluation of land	50,520	-	50,520	-

The reconciliation between accounting loss and income tax expenses (income) is shown below.

	Financial statements in which equity method is applied		Separate financial statements	
	2016	2015	2016	2015
	(59,851)	(100,331)	(46,351)	(88,682)
Accounting loss before tax				
Applicable tax rate	20%	20%	20%	20%
Accounting loss before tax multiplied by income tax rate	(11,970)	(20,066)	(9,270)	(17,736)
Effects of:				
Tax loss for the year which was unrecognised to deferred tax asset	16,331	2,627	16,331	2,627
Share of profit from investment in associate	(28)	(1,626)	-	-
Exemption of income	-	-	(2,728)	(3,956)
Others	439	1,224	439	1,224
Total	16,742	2,225	14,042	(105)
Income tax expenses (income) reported in the statement of comprehensive income	4,772	(17,841)	4,772	(17,841)

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

	Statements of financial position			
	Financial statements in which equity method is applied		Separate financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
Deferred tax assets				
Allowance for diminution in value of inventories	3,614	3,135	3,614	3,135
Allowance for impairment loss on assets	3,178	4,167	3,178	4,167
Provision for long-term employee benefits	4,995	4,473	4,995	4,473
Unused tax loss	17,171	21,955	17,171	21,955
Total	28,958	33,730	28,958	33,730

Deferred tax liability

Revaluation surplus on land	85,700	35,180	85,700	35,180
Total	85,700	35,180	85,700	35,180
Deferred tax liabilities - net	56,742	1,450	56,742	1,450

As at 31 December 2016, the Company has unused tax losses totaling Baht 95 million (2015: Baht 13 million), on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax losses amounting to Baht 86 million will expire by 2021.

23. Earnings per share

Basic earnings (loss) per share is calculated by dividing loss 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.

24. 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.

The Company is principally engaged in the manufacture of food and beverage. Its operation is carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area. Export sales during the year ended 31 December 2016 represented approximately 47 percent (2015: 38 percent) of total sales.

For the year 2016, the Company has revenue from four major customers in amount of Baht 159 million Baht 156 million Baht 111 million and Baht 110 million (2015: the Company has revenue from two major customers in amount of Baht 111 million and Baht 73 million).

25. Commitments and contingent liabilities

25.1 Operating lease commitments

The Company has entered into several service agreements and lease agreement in respect of the lease of office space and equipment. The terms of the agreements are generally between 1 and 4 years.

Future minimum payments required under these agreements were as follows.

(Unit: Million Baht)		
As at 31 December		
	<u>2016</u>	<u>2015</u>
Payable:		
In up to 1 year	11	7
In over 1 and up to 4 years	4	7

25.2 Guarantees

As at 31 December 2016, there were outstanding bank guarantees of Baht 4 million (2015: Baht 4 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee for electricity use amounting to Baht 4 million (2015: Baht 4 million).

26. Fair value hierarchy

The Company had the assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)				
As at 31 December 2016				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Property	-	-	448	448

(Unit: Million Baht)				
As at 31 December 2015				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Property	-	-	195	195

27. Financial instruments

27.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investment, trade and other receivables, restricted bank deposit, bank overdrafts and short-term loans, trade and other payables, long-term loan and liabilities under finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

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

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, current investment, restricted bank deposit, bank overdrafts and short-term loans, long-term loan and liabilities under finance lease agreements. Most of the Company's 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 rates 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: Million Baht)

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				
Financial assets						
Cash and cash equivalents	-	-	1	1	2	0.125 - 0.50
Current investment	1	-	-	-	1	1.40
Trade and other receivables	-	-	-	98	98	-
Restricted bank deposit	-	-	1	-	1	0.125
	<u>1</u>	<u>-</u>	<u>2</u>	<u>99</u>	<u>102</u>	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	235	-	-	-	235	3.47 - 7.12
Trade and other payables	-	-	-	121	121	-
Liabilities under finance lease agreements	2	-	-	-	2	4.82 - 5.77
Long-term loan from financial institution	-	-	3	-	3	3.73
	<u>237</u>	<u>-</u>	<u>3</u>	<u>121</u>	<u>361</u>	

(Unit: Million Baht)

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				
Financial assets						
Cash and cash equivalents	-	-	7	1	8	0.125 - 1.00
Current investment	1	-	-	-	1	1.25
Trade and other receivables	-	-	-	72	72	-
Restricted bank deposit	-	-	1	-	1	0.125 - 0.75
	<u>1</u>	<u>-</u>	<u>8</u>	<u>73</u>	<u>82</u>	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	179	-	-	-	179	3.01 - 5.39
Trade and other payables	-	-	-	69	69	-
Liabilities under finance lease agreements	3	2	-	-	5	3.90 - 5.77
	<u>182</u>	<u>2</u>	<u>-</u>	<u>69</u>	<u>253</u>	

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currency, which are unhedged against foreign exchange rate risk, summarised below.

Foreign currency	Financial assets		Financial liabilities		Exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1	1	-	-	36.0025	35.9233
Japanese yen	-	-	-	2	-	0.3027

27.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or carrying 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 statements of financial position.

28. 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, according to the statement of financial position in which equity method is applied, the Company's debt-to-equity ratio was 0.77 (2015: 0.64:1) and according to the separate financial statements, the Company's debt-to-equity ratio was 0.88 (2015: 0.78:1).

29. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2017.



Report of the Audit Committee

The Audit Committee of Food and Drinks Public Co., Ltd. was appointed by the Board of Directors of the company, and has the term of 2 years. The Audit Committee is comprised of 3 independent directors. They are Miss Chaovana Vivatpanachati served as Chairman of the Committee; Mrs. Vilai Kiatsrichart and Mr. Sumet Chey-O-Nanand served as members of the committee. The Committee has performed its duty and responsibilities according to the requirement set by Stock Exchange of Thailand, and report to the Board of Directors of the company.

The Audit Committee has performed the duty of review the appropriateness of the financial statement reports, review the internal control, and internal audit and other duties appointed by the board of directors. This is according to the requirement of Stock Exchange of Thailand to the audit committee.

In 2016, the Audit Committee has 4 meetings, and considered the following matters:

1. The Audit Committee has reviewed the quarterly and year-end 2016 financial statements to ensure the accuracy, completeness and reliability according to the generally accepted accounting standards, and that sufficient information is disclosed to report to the Board of Directors for approval. In 2016, the Audit committee has hold 1 meeting with the auditor without the presence of the management.
2. The Audit Committee has ensured that the Company hired an outside Internal Auditor, DIA Audit Co., Ltd. to determine the sufficient internal control in the company. In 2016, the evaluation internal control by COSO were evaluated for its sufficiency. The report sent by the internal auditor to the Audit Committee stated that there is sufficient evidence to show that different departments have followed the procedures. However, there are suggestions for improvements. The management will follow up on the matters consequently and ensure that corrections are made on time.

3. Review to ensure that the Company abides by all rules and regulations, and other regulations and laws related to the Company's business
4. Select and propose the Company's auditors and consider their fees for 2017. Then, the Audit Committee will present to the Board of Directors to present to the Shareholders for approval. For 2017.
5. Review the related transactions or any other possible conflicts of interests in compliance with the rules set by Stock Exchange of Thailand to ensure that the Company will receive the utmost benefits.
6. Coordinate understandings among Audit Committee, Management, Internal Audits, and Auditors.
7. Prepare an Audit Committee's Report.
8. Abide by any other rules and regulations or tasks assigned by the Board of Directors in the scope responsible by the Audit Committee.

In summary, the Audit Committee has considered that the Management of the Company has performed with the intention to comply with the good management system and according to the good governance expected.



Ms. Chaovana Vivatpanachati

Chairman, Audit Committee

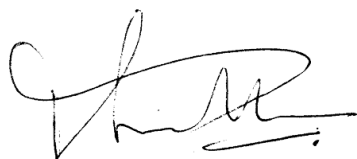
March 29, 2017

➤ Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors is aware of the duties and responsibilities as directors of a listed firm in ensuring that the financial reports are accurate, complete and transparent. This is for the benefit of the shareholders and general investors who are entitled to receive the complete and accurate financial information.

The financial statements of Food and Drinks Public Co., Ltd. are in line with the generally accepted accounting standards, using appropriate and consistent accounting policy, disclosing adequate information as verified and noted by the external auditor in Notes to Financial Statements. The correctness and adequacy in financial statements reviewed by external auditors are ensured to protect the Company's assets against fraud or abnormalities.

The Board of Directors believes that the Company's 2016 annual financial statements ended 31 December 2016, which has been reviewed by the external auditor, were prepared in line with the generally accepted accounting standards, using appropriate and consistent account policy, while disclosing adequate information and complying with the related rules and regulations.



Phirasilp Subhapholsiri

Chairman



Kasem Deemaitree

Chief Executive Director