

Part 1
Business Operation

1. Policy and overall business operations.

The company is a manufacturer and exporter of canned pineapple, pineapple juice and juice concentrate and other processed tropical fruits. It operates a multi-fruit processing factory in Chonburi Province and exports its produce under the brand of the company's customers.

On 27 October 2010, the company established an affiliate company under the name of Quality Pineapple Products Co., Ltd., or QPP, whose office is located at 195 Empire Tower, 43rd Floor, South Sathon Road, Yannawa Sub-district, Sathon District, Bangkok 10120. The affiliate was established in order to support the expansion of the company's business which purchased a canned pineapple and concentrated pineapple juice factory in Hua Hin District, Prachuab Kirikhan Province.

Eastern Seaboard Industrial Estate (Rayong) Co.,Ltd, is a joint venture company between Siam Food Products PCL. and Hemaraj Land and Development PCL. Eastern Seaboard Industrial Estate (Rayong) Co., Ltd. was set up on 3 November 1994. The company has a registered and paid up capital of Baht 358 million, 40% of which is owned by Siam Food Products PCL. Its business is to develop an industrial estate in Rayong, and to build and sell public utilities to both Thai and foreign investors.

In December 2013 the company invested in 6.88 percent of the paid-up registered capital of 4,700 million Baht of the Real Estate Investment Trust and lease rights in Ratcha Industrial "HPF" which invested in some assets of Hemaraj Industrial Estate Public Company Limited and Eastern Seaboard Industrial Estate (Rayong) Co., Ltd.

On 26 August 2015, a subsidiary company was established under the name of Siam Food (2513) Co., Ltd. with a registered capital of 1 million Baht and using the company abbreviation "SF (2513)" with its head office located at No. 1, Empire Tower, 43rd Floor, South Sathon Road, Yannawa Sub-District, Sathon District, Bangkok 10120. The affiliate was set up to accommodate the business expansion of the company and to operate commercial and investment business such as manufacturing, supplying raw materials and expanding the investment in AEC.

The Annual General Meeting of the Shareholders No. Bor Mor Jor 24 for the year 2016 on Friday 22 April 2016 had considered and unanimously resolved to change ending date of Annual Accounting Period of the Company from 31st December to be 30th September of each year, starting fiscal year 2016 which will be the

first year nine-month period from January to September 2016, after that a period of 12 months starting October – September for each year.

1.1 The company has the vision, mission and Common Definitions. And goals of the business of the Company.

Vision

Siam Food Products Public Company Limited is a leader among the world renowned industry of food processors in Thailand. It focuses on high efficiency, quality products and a long-term sustainable business.

Mission

Siam Food Products Public Company Limited manufactures food products using pineapple as its main raw material. We emphasize on knowledge, learning and innovation to achieve high quality products with an emphasis on food safety, good governance and giving happiness and satisfaction to our customers, farmers, employees, shareholders, related organization, communities and society.

Common Definitions

Quality is priority	:	To emphasize on quality of goods and services.
Innovation	:	To create new innovation in all aspects.
Achievement	:	To emphasize on efficiency to reach the target goal
CSR	:	Corporate Social Responsibility and Environmental Conservation
Good Governance	:	Operation by Good Govern ance

1.2 Significant development in the preceding year

The company has been granted the CSR-DIW Continuous Award of the year 2016 from the Department of Industrial Works. The company has conducted CSR programs continuously for the last 6 years. In addition



The Company received an honorable Fame of establishment type which maintaining labor

standards, Thailand continuously for more than 5 years by the Department of Labor, there were only 21 companies to receive this honorable Fame.

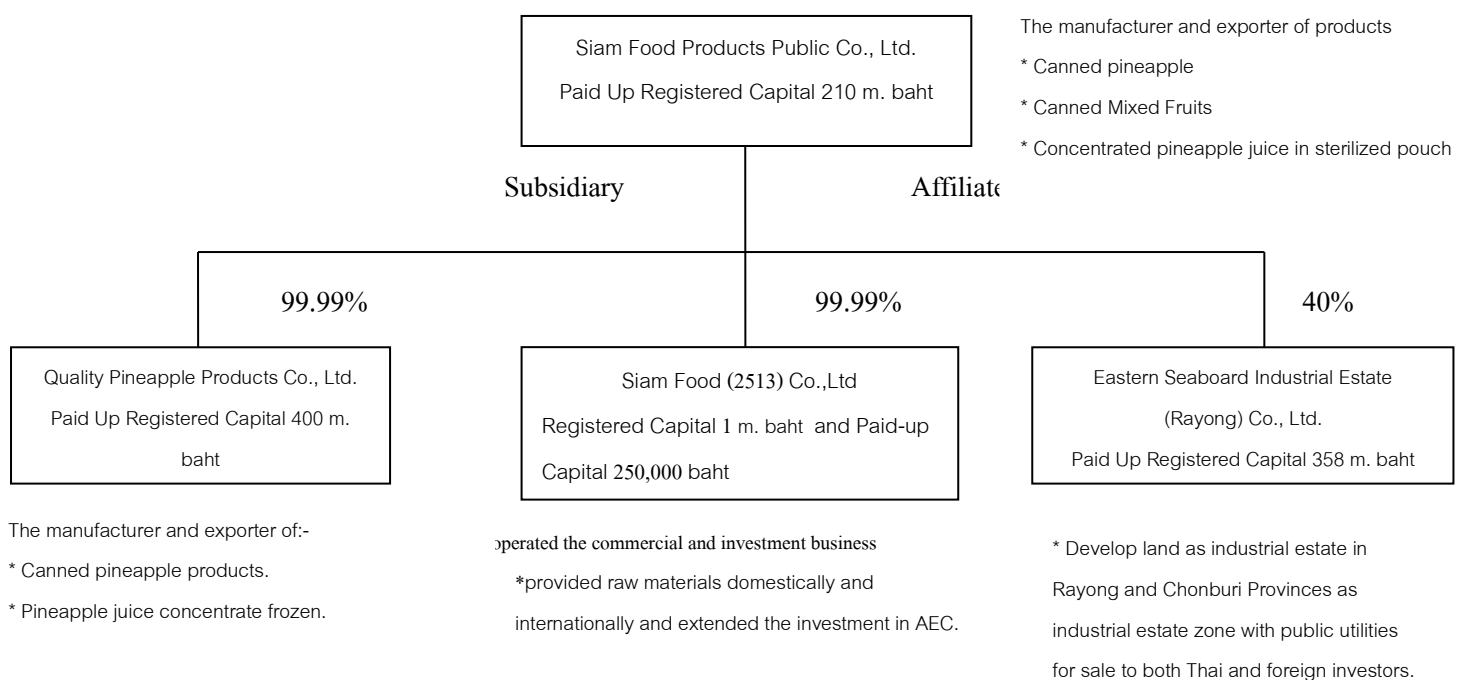


Furthermore, Foundation of Science and Technology Council of Thailand(FSTT) founded in 2008 as a public charity. The objective is to promote, support and develop science and technology including to offer science policy and technology which relate the government and agencies. To advance the development of the country, has prepared a project "The individual quality of the Year 2016" (QUALITY PERSONS OF THE YEAR 2016) to honor and praise the people who succeed in life, dedicated activities for the benefit of society and the country in various fields, event awards "Epitome Business of the Year 2016" to honor individuals, the business sector is a good example of the application of science and technology to work and Corporate Social Responsibility. The activities mentioned above, to give a royal charity unto the King Bhumibol Adulyadej as the father of Technology of Thailand due on October 19, 1972.The majesty was director of the world's first demonstration of a new artificial formula by himself at Kaeng Krachan Dam, Phetchaburi Province. The government therefore decided to honor His Majesty the King was "Father of Technology of Thailand" and set the date of October 19 of every year "The technology of Thailand".

In the year 2016, Mr.Charnvit Subsanyakorn Senior Consultant(Former acting managing director) has been selected as "Epitome Business of the Year 2016" in food and beverages of Foundation Science and Technology Council of Thailand. (FSTT) from Gen. Phichit Gullawanit was privy in the reign of king rama IX on Wednesday, October 19, 2016 at the Main Hall Convention Center, Chulabhorn Research Institute.



1.3 Shareholding structures of Siam Food Products Public Co., Ltd.



2. Nature of Business

The Company produces and exports such products as canned pineapple concentrate and other processed tropical fruits under our customers' own brand and under the Company's trade mark "SIAM FOOD" that has been known and recognized for over 46 years. The Company owns a pineapple field and plant in Chonburi.

Business operation goal

The Company has a goal to continuously grow the pineapple business. In the year 2016, the Company planned to process more pineapple than the previous year by expanding the manufacturing base and increasing the production of the affiliate company as well as expanding the cultivation area by supporting contract farmers

through the Siam Food Project Model in order to encourage farmers to cultivate high quality pineapple with a higher productivity per rai.

In the year 2016, the Company together with its subsidiary had a production share of raw materials for production of 13.21% of the whole country which coincided with the year 2015. In the year 2017, the company expects that the production would be increased from the previous year due to the plan to expand the production base and to increase the productivity of the affiliate company as well as attempts to expand the cultivation area by encouraging the contract farmers through different projects of the company from the year 2015.

On marketing, the company continued to apply a strategy to focus on the maintenance of the existing customer base and seek for customer in the new market by offering the products in good quality and good service as well as delivery of the products as being required to cause maximum satisfaction of the customer as well as trying to find new products to increase the revenue base of the company.

Industrial trend and circumstance of competition in the future

In 2017, we expect that raw material volume of whole country trend to increase more than last year. Competition in the selling price could be more serious. However, the demand in consumption will remain continuously. Fluctuations in exchange rates for many countries, such as Britain and European countries. (depreciated currency versus the USD) might impact directly on the order.

Competition in the market with major competitors such as Indonesia and the Philippines. Thailand remains unfavorable in import duty because Europe has canceled Generalized System of Preferences(GSP) for Thailand, lead to European importers who import products from the United States tax increase of about 3.50%, Indonesia and Philippines are also exempt from GSP. Moreover, Trade barriers with different specifications and import duty are still obstacles to the export of products for Thailand.

Income Structure (Consolidated Financial Statement)

Unit : 1,000 Baht

Product	Consolidated financial statements							
	2016 (9 months)		2015 (9 months)		2015 (12 months)		2014 (12 months)	
	Amount	%	Amount	%	Amount	%	Amount	%
Pineapple and other fruits	3,052,250	95.33	2,614,470	96.84	3,619,912	97.45	3,455,618	96.53
Other	25,183	0.79	31,358	1.16	35,061	0.94	26,518	0.74
Total sales	3,077,433	96.12	2,645,828	98.01	3,654,973	98.39	3,482,136	97.28
Investment income	22,040	0.69	20,084	0.74	26,971	0.73	20,594	0.58
Other income	102,125	3.19	33,762	1.25	32,742	0.88	76,864	2.14
Total Revenue	3,201,598	100.00	2,699,674	100.00	3,714,686	100.00	3,579,594	100.00

2.1 Business Operation of each product line

Siam Food Products Public Co., Ltd., has engaged in the business of agricultural industry in the category of agricultural product processing, such as, pineapple and reasoning fruits as one major manufacture of the country. Most products are export for sale abroad. The products of the company are as follows:-

- (1) Canned and pineapple packed in Pouch bag
- (2) Concentrated pineapple juice in aseptic bag
- (3) Canned seasoning fruits

a. Marketing and competitiveness

a) Marketing

Approx. 95% of the company's product were exported to global countries where the important market are Europe, North America, Asia, Middle East and others respectively, by selling directly through the importer and local agent. Most product were manufactured under the customers' trademark and partial was manufactured and sold under SIAM FOOD BRAND.

All products of the company were manufactured under the international standards, high quality and accepted by global customers as the company has manufactured and exported for more than 46 years. All products of the company were accredited by several standards, such as, GMP, HACCP, BRC, ISO 9001, ISO 14001, OHSAS 18001, and Thai Labor Standard 8001-2553.

b) Competitiveness

- (1) Even manufacturing cost in Thailand is higher than in competitive countries, such as, Philippines and Indonesia but Thailand still hold maximum marketing share due to good quality of fruits and constant export quantity, appropriate technology and manufacturing skill.
- (2) Manufacturing cost and export is trended to increased, plantation cost (fertilizer), minimum wage 300 baht of employees in factory – farm, higher transportation cost may be obstacle to export in the future. In addition, harder Thai baht exchange rate upon comparing with US dollar which directly impacted export.
- (3) The company still emphasized on the important to increase manufacturing efficiency, quality and efficient management to maintain leadership in manufacturing and maintain highest satisfaction of the customers.

2.3 Product procurement

a) Total manufacturing capacity

Manufacturing capacity and manufacturing quantity

	2016 (Jan-Sep)	2015	2014	2013	2012	2011
Manufacturing capacity (one thousand standard cases)	5,500	5,500	5,500	5,500	5,500	5,500
Actual manufacturing quantity (one thousand standard Cases)	2,281	3,604	2,836	3,910	3,740	4,163
Manufacturing capacity rate (%)	41.47	65.52	51.56	71.09	68.00	75.69
Increasing rate of manufacturing capacity (%)	(36.71)	27.08	(27.47)	(4.54)	(10.20)	37.48

Manufacturing capacity and quantity of concentrated juice

	2016 (Jan-Sep)	2015	2014	2013	2012	2011
Manufacturing capacity (ton)	17,500	17,500	17,500	17,500	17,500	17,500
Actual manufacturing quantity (ton)	5,448	7,256	6,472	9,106	8,527	9,843
Manufacturing capacity rate (%)	31.13	41.46	36.98	52.03	48.70	56.25
Increasing rate of manufacturing capacity (%)	(24.92)	12.11	(28.93)	6.84	(13.42)	23.08

Raw material and the seller

The company procures raw material and other materials used in manufacturing both from within the country and from abroad whereby approx. 98% are raw materials in Thailand, such as, pineapple, fruits, can, paper box and label and other 2% are imported, such as, retort able pouch.

b) Environmental impact

The industry of manufacturing of pineapple in sealed container shall generate waste water from manufacturing processes which the operator is required to comply with the requirements of Factory Department, Ministry of Industry to determine Biochemical Oxygen Demand value (BOD) or oxygen value which microorganism is required to digest organic substance in the water shall not exceeding 20 mg./litre, Chemical Oxygen Demand (COD) not exceeding 120 mg./Litre.

The company had measure to treat wastewater of the factory by treatment capacity 4,000 m.³/day by Waste Stabilization Pond on approx. 180 rai land dug into 9 treatment pond for 5 processes, i.e., Pump Sump, Anaerobic 3 Pond, Facultative 4 Pond, Water Hyacinth Pond and Polishing Pond. Wastewater shall pass along 9 ponds to adjust its pH value to achieve standard of Department of Industrial Factory before draining to natural source and the company has also installed device to measure BOD outside the system on line. In addition, the company covered the 1st Anaerobic pond to keep the biogas as the fuel instead of the stove oil, which could be used since November 2013. Could save the fuel of about 12 million Baht per year, and could control the odor not to disturb the dwelling people near the sewer.

3. Risk factors

The company has engaged in the food business whereby our main products are canned pineapple, pineapple in retort poach, concentrated pineapple juice in retort poach, mixed fruits (pineapple, red papaya, yellow papaya and guava) seasoning fruits (mangos teen, rambutan stuffed with pineapple)

Thailand is the world largest source of pineapple. The volume of pineapple produced each year will depend upon the growing of farmers and climate. When the pineapple price is high, the farmers will increase to grow pineapple, hence gradually leading to the oversupply. On the other hand, when the price goes down, the growing of pineapple will eventually decrease. The price of pineapple is, therefore, highly volatile, thus affecting the price of canned pineapple under the demand and supply principle. The projection on volume and the fresh pineapple price is the key factor for the company's performance.

In 2016 we did some operational analyses and assessments to ensure achieving the Company's action plan goals, by following the COSO standard on risk management, with 4 risk types - 1. Strategy, 2. Production, 3. Marketing, and 4. Operation - defined by the Risk Management Committee, and four major risk factors as follows:

1. Risk about the raw material: Regarding the quantity of pineapple to be more or less based on the climate of each year, it results on the purchasing price and the cost of the company products directly. Although the company has own pineapple farm, it could export the raw material for production on each year approximately 18 percent of the production. Therefore, the provision from the farmers; 1,000 contract farmers, encouraging and developing the farmers with higher yield per farm to be similar to the company's farm is necessary, and the good relationship between the farmer and the company is longer than 45 years. The cultivation could be managed from the beginning until harvesting and delivery to the company's factory. The company planned to increase the cultivation area of the company.

2. Risk of production: From the situation of less raw material pineapple in the year 2016, the purchasing price of raw material was increased from the previous year. In addition, the drought affects against the quality of pineapple and increases the production cost.

3. Market risk: Since the products are mainly for the export, buyers will act as traders and import the consumer goods from all across the world. The characteristic of the contract is a future trade for the delivery within 1-3-month period, and in some cases 12-month term. However, the raw material price may be increased when comes to the production for export. As a result, in considering the term of either short- or long-term future trade, it has to emphasize on the factors concerning both demand and supply of the market. This includes the production of domestic producers along with those of the major exporters such as Indonesia and the Philippines, etc.

In addition to the above, the marketing needs to contemplate the global economy as to projecting the sales volume in each region and the risk of customers' payment. Nevertheless, most of the customers are in the long-term business relationship, thus having proven records.

4. Financial risk: The product sales of the company are mostly for the export, accounting for 95%

of the total sales, and mainly traded in the U.S. currency, with some in Euro currency. In 2016, the U.S. Dollar was highly fluctuated and weakened rapidly when compared with Thai baht. This adversely affected the company's revenues and profits. In order to reduce a risk in exchange rate, the company has wisely made forward contracts with the bank and also had its marketing negotiate trades in other currencies such as Euro and Pound Sterling, etc.

This year we focus on strategy to reduce risk by

- Reduce operation cost.
- Selling price should higher than operation cost.
- Sale more product such Mango, Rambutan, Tropical fruit cocktail, pineapple peel.
- Understand market dynamic in order to manage sales to best advantage. Analysis market status to determine if buyers or sales market.

The activity to control risk is meet target.

4. Operating Assets

(1) Major operating assets of the Company.

As At 30 September 2016, the company had major operating assets used in the business as follows:

Description of assets	Type of Rights	Book value (in million Baht)	Obligation
1. Land Location	Owned assets	177.17	
<u>Land's Factory</u>			
-Banbung, Chonburi		23.94	No
1,337-1-35 Rai			
<u>Land's Plantation</u>			
- Banbung, Chonburi		38.37	No
12,154-1-49 Rai			
- Khon buri ,Nakhon Ratchasima		52.01	No
2,893-1-45 Rai			
- Chai Badan, Lop Buri		62.85	No
2,015-1-37 Rai			
Total 18,501-0-47 Rai			

2. Land Location <u>Land's Plantation</u> - Khlong Kio,Banbung,Chonburi 1,810-1-20 Rai -Kaokanthong,Siracha,Chonburi 587-2-40 Rai -Nong Suea Chang,Nong yai,Chonburi 2,159-1-67 Rai - Khlong Kio,Banbung,Chonburi 49-0-38 Rai Total 4,606-1-65 Rai	Leased assets (2-3 years)	-	-
3. Head Office 195 Empire Tower 43 rd Floor, South Sathorn Road,Yannawa,Sathorn, Bangkok.	Leased asset (3 years)	-	-
4. Factory Office and Warehouse - 218 Moo 4 Chachoeng sao-Sattahip Nong I-run,Banbung,Chonburi	Owned assets	58.80	No
5. Plantation Office - 160/1 Moo 6 Chachoeng sao-Sattahip (Km 72 Nong Prue) Khlong Kio, Banbung,Chonburi - 15 Moo 7 Nikhom Lam Narai,Chai Badan,Lopburi	Owned assets Owned assets	8.83 1.71	No No
6. Machine	Owned assets	184.12	No

(2) Investment Policy in subsidiary and holding company

Due to company have a great number of plot of land in Chon Buri and Rayong Province,some part located in proper zone for develop to by East Industrial Estate which Government invested in public facility plentifully therefore company sold part of land to Land Development Company and holding in Eastern Seaboard Industrial Estate (Rayong) Co.,Ltd. in proportion of 40% of 358 million baht registered capital and having company director join as director in holding company as following position:1 President,2 directors, total 3 person from 7 directors.

Previous company performance is in good criterion even depression in general real estate business but Automobile industrial still grow and also worldwide automobile company such as GM,Ford-Mazda, has invested in project of holding company,leading to continuous and other industry such as food,packaging also invested in project of holding company.

Previous business turnover as following;

2016 Net Profit (Jan-Sep)	178.51	million Baht
2015 Net Profit	88.50	million Baht
2014 Net Profit	659.79	million Baht
2013 Net Profit	1,869.39	million Baht
2012 Net Profit	213.59	million Baht
2011 Net Profit	150.61	million Baht
2010 Net Profit	150.66	million Baht
2009 Net Profit	59.11	million Baht
2008 Net Profit	304.09	million Baht
2007 Net Profit	215.19	million Baht
2006 Net Profit	148.38	million Baht
2005 Net Profit	203.16	million Baht

5. The Legal dispute

Non

6. General Information

The Company Name	:	Siam Food Products Public Company Limited
Business Type	:	A producer and distributor of processed agricultural products for export.
Head Quarter Location	:	The 43 th floor of the Empire Tower, at 1 South Sathorn Road, Yannawa, Sathorn, Bangkok
Company Registration Number	:	0107536000072

Homepage : www.siamfood.co.th
 Telephone Number : 0-2287-7000
 Fax Number : 0-2670-0154
 Registered Capital : 300,000,000 baht
 Paid-up Capital : 210,000,000 baht
 Type of Stock : Common Stock
 Paid-up Common Stock : 21,000,000 shares
 Par value : 10 baht per par

Siam Food Products Public Co., Ltd., had invested in other company as the holder of share from 10% upwards in 3 companies as follows:-

As at 30 September 2016

Company's Name		Type of Business	Investment Amount (m. baht)	Investment Proportion (%)	Registered Capital (m. baht)	Paid Up Capital (m. baht)
Quality Pineapple Products Co., Ltd.	Subsidiary	Manufacture and distributor of canned pineapple, concentrate pineapple juice for export	400	99.99	400	400
Siamfood (2513) Co.,Ltd.	Subsidiary	* Operated the commercial and investment business * Provided raw materials domestically and internationally and extended the	1	99.99	1	0.25

		investment in AEC.				
Eastern Seaboard Industrial (Rayong) Co., Ltd.	Affiliate	Develop land in Rayong Province and Chonburi Province as Industrial Estate including all public utility Systems	143.20	40	358	358

Reference

Security Registrar

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Tel: (66 2) 009 9000

External Auditor:

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2. Thai Military Bank Public Company Limited (Head Office) 3000 Phaholyotin Road, Jatujak, Bangkok 10900 Tel : 0-2242-3980 to 1

3. Bangkok Bank Public Company Limited (Head Office) 333 Silom Road, Bangrak, Bangkok 10500 Tel : 0-22626-3327
4. United Overseas Bank (Thai) Public Company Limited (Head Office) 191 South Sathorn Road, Sathorn, Bangkok 10120 Tel : 0-2343-3000 Fax : 0-2285-1365
5. Bank of Ayudhya Public Company Limited (Head Office) 1222 Rama III Road, Bangpongpan, Yannawa, Bangkok 10120 Tel : 0-2296-3915 to 6
6. Krungthai Bank Public Company Limited (Yaowaraj Branch) 260 Yaowaraj Road, Chakrawad, Samphanthawong, Bangkok 10100 Tel : 0-2222-0131 to 45

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