

Annual Report 2012



S. KHONKAEN FOODS PUBLIC COMPANY LIMITED

Contents

	<i>Page</i>
Message from the Chairman	3
Message from the Chief Executive Officer	4
General Information	5
Summary of the Financial Information of the Company	6
Nature of Businesses of the Company	8
Risk Factors	17
Shareholding Structure and Management	20
Corporate Governance	22
Related Transactions	26
Description and Analysis of Financial Status and Operating Performance	27
Financial Statements	39

Message from the Chairman

To Shareholders

In 2012, the global economy continues to slow down from the global economic crisis that remains to be a problem in the United States, recession, and debt crisis in five countries of the European Union including Greece, Spain, Italy, Cyprus and Portugal.



Fluctuations in the global market and Thailand arose in 2012 was aware and monitored by the company on the possible impacts. The flood disaster that occurred in 2011 was also observed closely to 2012, and went all through adequately. Experience from doing business for 29 years makes the company holding strength, stability and goes through the world crisis and issues in Thailand astonishingly. The marketing strategy of expanding into new segments of customer was able to break the sales record again in 2012. The company generated THB 1,823 million of revenue, which accounted as the highest record since its establishment. Growth rate increased from 8.38 per cent in 2011.

The success of the company is resulted from the great support of our shareholders, customers, Board of Directors and employees. On behalf of the Board of Directors of the company, I would like to thank our shareholders, customers and all the continuous supports towards the company. Furthermore, I truly appreciate and thank the Board of Directors and all members of the company for devoting to work continuously. I'd like all shareholders to be secured that the company is devoted to operating with good corporate governance along with social responsibility to retain as a leading company in Thailand.

A handwritten signature in black ink, appearing to read 'Somchai Sakulsurarat', written on a light blue background.

(Mr. Somchai Sakulsurarat)

Chairman of the Board of Directors

Message from the Chief Executive Officer

To Shareholders

In 2012, the United States and the European Union that are the world's leading industrial nations have faced the economic crisis. While Asian countries including Thailand, have remarkably achieved the economic growth from the sturdy increase of private sectors' consumption. Moreover, there is a possibility to increase such the ASEAN Economic Community (AEC) integration.



The higher consumption number from private sectors is a key factor to the company in sustaining increase in sales. As a result, the net profit of the company increases significantly with greatest sales and profit. The company was able to increase the capital acquisition and achieved greater position in strength and financial stability.

The business plan for 2013 is committed by the company to maintaining its leadership position in food industry as well as sales. The company plans to expand its market to reach into new customer sectors such as adding Halal product range to expand the market to Muslim customers, which is a large consumer market in the world. There will be an expansion of the restaurant through to an expansion in international business. The company plans to raise investment funds and cash flow by issuing bonds to enhance the company's financial viability effectively.

In order to achieve business success, it requires the cooperation of all sectors including the Board of Directors, employees at all levels, dedication, and commitment to drive the company to reach the business goals successfully. I would like to thank everyone on this opportunity for driving the success of the company in 2012.

A handwritten signature in blue ink, appearing to be 'Charoen Rujirasopon', written over a light blue grid background.

(Mr. Charoen Rujirasopon)

Chief Executive Officer

General Information

Location of the Head Office:	No. 259/13, Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), Prakanong Nua Sub- District, Watthana District, Bangkok 10110
Type of Business:	Production and distribution of processed food made from meat and sea foods
Registration Number:	0107537001811
Telephone Number:	(02) 391-1010
Facsimile:	(02) 391-1792
Website:	http://www.sorkon.co.th
E-mail:	president@sorkon.co.th
Registered Capital:	THB 242,550,000 divided into ordinary shares of 24,255,000 shares
Total Paid – Up Shares:	24,255,000 shares
Par Value:	THB 10.00 per share
Number of Subsidiaries:	3 companies
Abbreviation in the Stock Exchange of Thailand:	SORKON

Summary of the Financial Information of the Company

Statement of Financial Position	As At					
	31 December 2012		31 December 2011		31 December 2010	
	THB in Million	Per cent	THB in Million	Per cent	THB in Million	Per cent
Current Assets	496.34	40	467.33	40	408.52	38
Non – Current Assets	756.40	60	709.63	60	657.83	62
Total Assets	1,252.74	100	1,176.96	100	1,066.35	100
Current Liabilities	566.68	45	756.48	64	711.32	67
Non – Current Liabilities	101.11	8	84.03	7	53.42	5
Total Liabilities	667.79	53	840.51	71	764.74	72
Shareholders' Equity	584.95	47	336.44	29	301.61	28

Statement of Income	Year Ended					
	2012		2011		2010	
	THB in Million	Per cent	THB in Million	Per cent	THB in Million	Per cent
Revenue from Sales	1,822.93	99	1,682.01	99	1,504.87	98
Other	23.23	1	18.12	1	23.95	2
Total Revenue	1,846.16	100	1,700.13	100	1,528.82	100
Operating Income	154.87	8	115.79	7	94.68	6
Earnings before Financial Cost and Corporate Income Tax	154.87	8	115.79	7	94.68	6
Operating Profit after Tax	93.51	5	51.30	3	51.44	3
Minority Interest	0.42	0	0.47	0	1.68	0
Net Profit	93.09	5	50.83	3	49.75	3
Earnings per Share	4.83		7.87		8.07	

Statement of Cash Flow	Year Ended		
	2012	2011	2010
	THB in Million	THB in Million	THB in Million
Net Cash Flows from Operating Activities	141.80	110.83	66.38
Net Cash Flows from Investing Activities	(13.79)	(69.96)	(15.64)
Net Cash Flows from Financing Activities	(108.01)	(36.85)	(46.73)
Net Increase in Cash and Cash Equivalents	20.00	4.02	4.00
Cash and Cash Equivalents at Beginning of the Period	10.20	6.18	2.18
Cash and Cash Equivalents at Ending of the Period	30.20	10.20	6.18

Financial Ratios	Year Ended		
	2012	2011	2010
Liquidity Ratios			
Current Ratio (Times)	0.9	0.62	0.57
Quick Ratio (Times)	0.6	0.39	0.37
Cash Flow Ratio (Times)	0.2	0.15	0.10
Account Receivable Turnover (Times)	6.3	6.22	6.40
Average Collection Period (Days)	58	58	56
Inventory Turnover (Times)	8	8.30	9.89
Average Day's Sales in Inventory (Days)	46	43	36
Account Payable Turnover (Times)	10.5	9.64	9.26
Average Payment Period (Days)	35	37	39
Cash Cycle (Days)	69	64	54
Profitability Ratio			
Gross Profit Margin (%)	29.7%	26.77%	24.34%
Operating Profit Margin (%)	8.5%	6.05%	4.85%
Net Profit Margin (%)	5%	3.02%	3.36%
Return on Equity (%)	20.3%	16.08%	18.64%
Efficiency Ratio			
Return on Assets (%)	12.75%	4.57%	4.98%
Return on Fixed Assets (%)	42.09%	26.37%	29.08%
Total Assets Turnover (Times)	1.5	1.52	1.48
Financial Policy Ratio			
Debt to Equity Ratio (Times)	1.1	2.50	2.54
Interest Coverage Ratio (Times)	7.39	1.84	1.39
Dividend Payout Ratio (%)	75.02%	18.89%	15.10

Nature of Businesses of the Company

The business operation of the group of companies is a manufacturer and distributor of processed food made from pork, processed seafood, snack food from pork, ready-to-eat frozen food, farming, distributing of breeding swine and finishing swine and quick-service restaurants. The products of the group of companies will majorly be available within country and partially export to meet the demands of ready-to-eat Thai food, which arise in foreign countries.

Major changes and developments in the past year

- March 2012 Restructuring Shareholder in Subsidiaries to clear share cross holding between the subsidiaries which the following details;
- (1) Purchased shares of S. K. K. Food Company Limited in the amount of 908,983 shares equivalent to 7.57 per cent of paid-up capital.
 - (2) Purchased shares of Mahachai Food Processing Company Limited in the amount of 8,420,489 shares equivalent to 49.53 per cent of paid-up capital.
 - (3) Purchased shares of S. Pasusat Company Limited in the amount of 450,000 shares equivalent to 10 per cent of paid-up capital.
- April 2012 Sold 16,170,000 equity shares for the amount of THB 10 each. The offer was made to existing shareholders in proportion to their shares under the ratio of 1 existing share to 2 new shares at an offering price of THB 10 each.
- May 2012 The subsidiaries of the Company, S. K. K. Food Company Limited and Mahachai Food Processing Company Limited has dispose shares of the Company to eliminate the cross-shareholding which the following details;
- (1) S. K. K. Food Company Limited has dispose share of the Company in the amount of 1,210,000 shares equivalent to 14.97 per cent of paid-up capital.

(2) Mahachai Food Processing Company Limited has disposed share of the Company in the amount of 342,000 shares equivalent to 4.23 per cent of paid-up capital.

Business Structure of the Group of Companies

Businesses Company	Processed Foods Made from Pork	Processed Seafood	Snack Foods	Ready-to Eat Frozen Foods	Quick- Service Restaurants	Swine Farming
SORKON	Production and Distribution	Distribution	Production and Distribution	Production and Distribution	Distribution	
MFP		Production				
SKKF		Distribution				
SPS						Production and Distribution

SORKON = S. Khon Kaen Foods Public Company Limited

MFP = Mahachai Food Processing Company Limited (The Company holds 99.33% *)

SKKF = S.K.K. Food Company Limited (The Company holds 99.68% *)

SPS = S. Pasusat Company Limited (The Company holds 100% *)

Note : 1. *Shareholding information as at 31 December 2012

2. S. Khon Kaen Foods Public Company Limited has acquired shares from three subsidiary companies of its existing shareholders including subsidiaries and other shareholders to solve the cross-shareholding between companies according to the Board of Directors approval of the company on 14 March 2012 with completion date on 17 May 2012.

Processed Food Made from Pork

Processed food made from pork is one of the major businesses of the Company and is the first commercial business since the incorporation. Processed food made from pork produced by both plants of SORKON, which are



Bangplee Plant and Nakornpathom Plant, having SORKON and SKKF as a market maker and distributor to all fresh-food market within the country within SORKON is a market maker and distributing products through other channels consisting of major retailers and convenience stores, representatives in up-country, dealers for direct sales to consumers and international markets through importers in foreign countries, which are China, Hong Kong and Macau.



Processed food made from pork consisting of dried shredded pork, sliced sheets of dried and crispy pork, pork sausage, Esan sausage, white pork sausage, pork ball, and others. Processed food made from pork comes from original equipment manufacturer (OEM) and manufacturer under its brand with the ratio of 7:93. Processed food made

from pork of the Company is under the brands of “S. Khonkaen” “Moo-dee” “Moo Hoar” “Huay Kaew” “Bann Pai” “3 Rien Thong” and “Moo champ”.

Processed Seafood

Processed seafood is another one of the major business of the Company, manufactured by plant of MFP having SORKON and SKKF as a market maker and distributor, having SKKF as a market maker and distributor to all fresh-food market within the country while SORKON is a market maker and distributing products through other



channels consisting of major retailers and convenience stores, representatives in up-country, dealers for direct sales to consumers and international markets through importers in foreign countries, which are the United States of America, Europe, Japan and Korea. Currently production for export is 11 per cent, production for domestic sales through fresh-food market channel is 49 per cent and through modern trade is 40 per cent.

Processed seafood consisting of fish ball as it is graded for quality of upper market and lower market, shrimp ball and squid ball. Presently, the Company is the biggest manufacturer of seafood ball in the country with the market share in excess of 80 per cent. In addition the Company has a plan to launch new products in this business line by investing in machinery in the late 2010 and expects that the Company is able to manufacture new products within 2011. Installation was expected to be completed in 2012, but the flooding disaster in late 2011 continued to 2012 and resulted in a delay of equipment installation. However, the installation is expected to be completed in 2013 where is it estimated to reduce the use of manpower by 30 per cent after the completion of installation.

Processed seafood of the Company comes from manufacturer under its brand and original equipment manufacturer (OEM) with the ratio of 96:4. Processed seafood is under the brand of “Chiu Chow” , “Kwang Chow”, “Kow Loon”, “Mahachai”, “O-Deng”, “Yowarat”, “Heng Heng”, “Kai-Zen” and “YUMI”.



Chili sauce and sauce are included in processed seafood business line as its raw materials are shrimp and fish and having manufacturing at plant of MFP, which is a subsidiary, and all is under brand “Thai Derm” and “Thai Niyom” of the Company. The Company is a market maker and distributor through channel of modern trade. Sauce is a minor product to processed seafood of the Company.

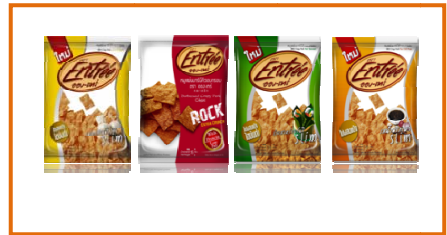
In 2012, the company has invested by purchasing 24 acres of land at Mahachai to support the new plant expansion plan next year. The investment is estimated at about THB 200 million for fish ball production and Halal snack manufacturing to serve Muslim customers. The plant expansion will increase the capacity of fish ball manufacturing by double or 13,000 tonnes up per year from current capacity at 6,500 tonnes per year.

Snack Food Made from Pork

Snack food made from pork manufactured at Bangplee



Plant of SORKON. SORKON is a market maker and appoints Diethelm Company Limited as a



distributor agent. Snack food made from pork consisting of bacon, snack of sliced sheets of dried and crispy pork, sliced sheets of dried and crispy fish, sliced sheets of dried and crispy shrimp under its brand of

“Entree”. Presently sales within country are more than 91 per cent.

In 2012, the company has launched new snacks made from pork, and chicken under the brand called “Muchi” to expand the market and serve changes of new generation consumer behavior. Availability is made through department and retailer stores nationwide.



Ready-to-Eat Frozen Food

Ready-to-eat frozen food is manufactured by another plant that locates in Samutsakorn Industrial Estate, which had been purchased from Narai Inter Food Company Limited. Presently



all production is under original equipment manufacturer (OEM), 2 per cent for export and 98 per cent for domestic market. Important foreign markets are Hong Kong, England and Germany as

well as countries in Europe and the United States of America. The products of the Company include frozen food for both savory and desserts.

Quick-Service Restaurants

The Company has investment in Quick-Service Restaurants in 2010 namely “Zaap restaurant sells the products. The first front area of other areas. In 2012, Express” by adding branches in 2013.



Express”. The company's branch is at the



Bangplee Plant. And then it's expands into the company plans to expand its “Zaap 10 more branches and 6-8 additional The Company expects the restaurant to be

an important distribution channel for its products in the future when the company expands more branches of the restaurant comprehensively through franchise system and invested by the company.

List of “Zaap Express” branches



- ❖ Bangplee
- ❖ Silom
- ❖ Soi Aree (Phaholyothin Road)
- ❖ Central Rama 3
- ❖ Central Rama 9
- ❖ All Seasons Place

For the marketing strategies and product development plans in 2013, the company will focus on turning pork meat into new recipes where there is a gap in the market and less intense in competition. The company has recently planned to launch the rice with pork hock stores under the brand called “Yunnan by SorKonKaen” in the form of a single store, kiosk at shopping

malls, and community malls The company decided to do marketing promotion on the pork hock with rice because there are ingredients and traditional Chinese recipe in hands as the selling point. It is believed that the brand awareness on “Yunnan by SorKonKaen” will be achieved within 1 year. The company plans to launch this single store by opening approximately 30-50 branches.

Farming and Distributing of Swine

Due to the rapid growth of Asean economy, there is an increase labor’s income and change in consumer behavior. With the hustle and time limitation in cooking, are causing consumers to emphasize on comfortable living. This can be seen from the popularity of modern trade spending. Pork meat can be selected from the shelves and low-price trays. Leading brands can be seen on shelves as well as competition from the house-brand. This is the ready-to-eat retailing channel that can create a massive income and high profit margin. As a result, products made from pork are growing steadily.

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Swine farming in Thailand is recorded to have 4th highest production in Asia, following from Vietnam, Myanmar, and Philippines. In terms of manufacturing and exporting capabilities, Thailand is said to be more effective and widely accepted than other countries in Asia through technology and manufacturing process (both farming and slaughtering levels) that comply with

international standard requirements. The government has also entered to support the farming development to reach excellent commercial standards. It is evidenced by the rapid expansion of swine farming and as a result, there is a development in this industrial area. The swine farming and pork processing industries are holding growth stability possibility. However, the selling price of swine in Thailand continues to change without stability due to lack of knowledge on swine farming by farmers. During the high price period, swine business will grow higher than usual, but export volume is little. This is causing oversupply situation and lowering down its price in turn as a regular cycle.

- Competition in the food processing industry will rely on the ability to reduce cost of production, and dependence on raw materials from external sources. These will help the company to control costs effectively. Business expansion to swine farming sector will be a way to strengthen a variety of food products. The company will focus on the quality, organic process, and safety standards throughout the manufacturing process. This will start from the farming, slaughtering from standardized cattle, through to manufacturing processing that will be certified to consumers in the organic fresh standards. The company is expected to expand the potential of this market further. However, it is necessary to place a focus on swine farming in the area of swine species to ensure that they are fast-growing type with quality meat and thin fats. A good swine breed will grow fast, and consume less. A good swine development in progress will help reducing cost of production.
- Food is the most important factor in swine farming as it is calculated to be 70-80 per cent of the overall cost. Food must be in excellent quality and meets the criteria of swine in each stage of growing phase. The quality check on carcass at 90-100kilogram weight range will identify the efficiency of food usage. Improvement on food recipe or feeding formula will also reduce the cost of production
- Farming management will need to be processed according to suggested procedure along with new technologies to achieve effective production result, good quality swine, and lead to a reduction in cost of production.

The Company has a swine farm at Korat by using the sows from foreign countries for breeding to have breeding swine for sales to sell to swine keepers. In addition, there is a selling of a finishing swine in childhood to the keepers for farming and also an adult finishing swine to the slaughterhouses. Swine farming is to support the company to control and reduce price volatility of raw material and to prevent the risk in the event of shortage of raw material.

Risk Factors

Financial Risks

The Company is exposed to financial risks in changing interest rates and the volatility of exchange rates. The changing interest rates affect the business operation and cash flow of the Company as bank loan is an important source of fund for the Company. The company minimizes risk from the change in interest rate by raising capital fund of THB 161.7 million to increase cash flow capability of the business operation. The company also paid off loans to financial institutions to reduce risk from the instability of interest rate.

In addition, the company is also holding risk from the currency exchange rate that occurs from the export of goods by the company to international countries. The company is preventing such risk by forwarding exchange contracts in advance of each exporting transaction.

Labor Shortage

As the production of the Company requires intensive labor in processing of raw materials, local labor force and their expertise is key to the manufacturing. The Company always employs various incentive policies, including wages, welfare, and other benefits, in order to attract and maintain these workforces. In addition, the Company also focuses on training our employees in order to gain good understanding of every production process. Moreover, in 2011 the Company had started to implement its long-term plan to make its production line more automated, and thus requiring less labor. The company has already installed some of new machinery in 2011 and expects to completely finish the installation of the new machine in 2012, which will reduce the number of workforce needed by 30 per cent. However, due to the devastating flood in late 2011 to 2012, the impact has caused a delay in the installation of the equipment. It is now expected to be completed in 2013 and after the installation is completed, it is estimated to reduce the use of man power by 30 per cent.

The Volatility in Costs of Production

Major costs of production are raw materials and wages. The volatility in raw material prices, especially continuously increasing fuel prices and animal feeds, has a direct effect on swine farming business. Increased demands for crops, which are used to produce animal feeds, from ethanol producers, result in higher prices of animal feeds. Higher fuel prices result in higher transportation costs. Other factors affecting the fluctuating prices of pork consist of demand for pork consumption, productivity of swine farms, drought conditions and animal diseases. In addition, increasing minimum wages and benefits also affects directly the costs of production. If the Company is unable to increase its selling prices in compliance with the rising costs, it will result in the declining profitability of the Company.

During the period of high costs of production, the company stays competitive through improved operating efficiency, including inventory management, long-term plan in streamlining production. In addition, the company plans to utilize its vacant land into crop farming to be used as animal feeds for its swine farm.

The Swine Flu

Swine diseases affect directly the farming revenues, raw material prices, and the consumer confidence in food safety.

The company has been involved in doing research and development in order to improve farm management, sanitation system, and quality control in order to ensure the safety of the products to the consumers. In addition, the company has gain advantages in terms of its location, the farm situates inside the ranges of mountains, which provide natural protection from the airborne diseases.

The Risk Where the Major Shareholder is able to Control the Resolution of the Meeting of Shareholders and Gains Management Power of the Company

Rujirasopon Family as a major shareholder of the Company holds shares of 57.25 per cent of total issued and paid-up capital of the Company so that Rujirasopon Family gains control on administration of the Company and appoints representatives as the directors of the Company including to have an ability to gather a majority of votes on shareholders issues, which have to receive a majority of votes of total shareholders attending the meeting and entitled to vote. However Rujirasopon Family has no right to vote in agenda, in which Rujirasopon Family has vested interest. To have the administration and operation transparent, detectable and balance, the company has appointed the outsiders as an independent directors and audit committee for the supervision. This is in accordance with the good corporate governance according to guidance of the Stock Exchange of Thailand.

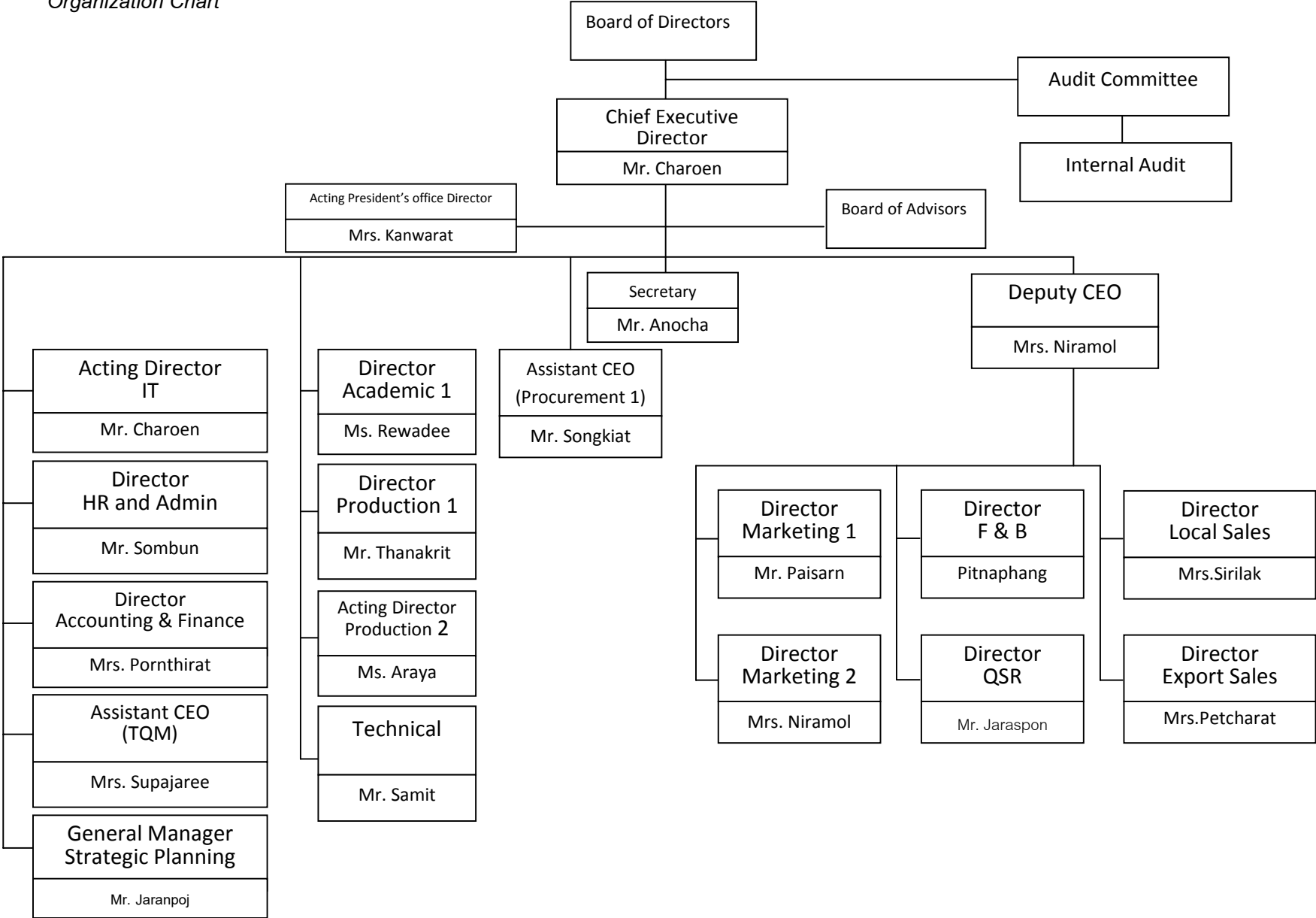
Shareholding Structure and Management

Shareholding Structure (as of November 29, 2012)

Major Shareholders	Number of Shares	%
1. Rujirasopon Family	13,528,010	55.77
Mr. Chareon Rujirasopon	7,414,058	30.57
Mrs. Niramol Rujirasopon	4,327,349	17.84
Mr. Jaranpoj Rujirasopon	907,067	3.74
Mr. Songkiat Rujirasopon	840,950	3.47
Mr. Jaraspon Rujirasopon	38,586	0.16
2. Pichettawanitchoke Family	1,228,100	5.06
Mr. Tanathip Pichettawanitchoke	648,300	2.67
Mr. Suwit Pichettawanitchoke	361,300	1.49
Miss Winthinee Pichettawanitchoke	190,500	0.79
Mrs. Wipaporn Pichettawanitchoke	28,000	0.12
3. Mr. Ayut Charnsettikul	645,474	2.66
4. NIPPON PACK (THAILAND) PUBLIC COMPANY LIMITED	589,400	2.43
5. Provident fund of Employee of Electricity Generating Authority of Thailand by ING funds (Thailand) Co., Ltd.	552,400	2.28
6. DBS BANK LTD – CLIENT A/C SG1100173011	523,700	2.16
7. Thai NVDR Co., Ltd.	507,840	2.09
8. Mr. Suchon Simakulthorn	391,900	1.62
9. Mr. Kiattinun Denpaisarn	237,100	0.98
10. MAYBANK KIM ENG SECURITIES PTE. LTD.	228,530	0.94
Total	18,432,454	75.99

Source: Thailand Securities Depository Co., Ltd.

Organization Chart



Corporate Governance

During the past years, the Company has always complied with the principles of good corporate governance for listed companies as the Board of Directors and our executives are well aware that good corporate governance is essential for developing the Company's competitiveness and creating trust in the Company's business amongst our investors, stakeholders and all relevant parties. Thus, the Company establishes our policy of corporate governance as follows:

- **Rights of Shareholders**

The Board of Directors includes in the corporate governance policy of the Company all the statutory rights of shareholders and other appropriate rights; for example, to obtain adequate information on the Company, to express their opinions and suggestions to the Company, etc. Shareholders can contact the Company in many ways such as by telephone, fax, mail or our web site.

- **Equitable Treatment of Shareholders**

Shareholders can receive the Company's information from either our or the Stock Exchange of Thailand's web site, in addition to documents mailed by **The Thailand Securities Depository Co., Ltd.** as our registrar. In case shareholders cannot attend shareholders meetings, they are able to specify their decisions or other suggestions to any other person or member of the Audit Committee.

- **Role of Stakeholders**

The Board of Directors sets a policy on fair treatment for each and every stakeholder. The rights of stakeholders that are established by law or through mutual agreements are to be respected. Any actions that can be considered in violation of stakeholders' legal rights shall be

prohibited. In case the Company receives any concerns about illegal or unethical practices, incorrect financial reporting, insufficient internal control, etc., the Company has procedures to protect stakeholders regarding their communication of any concerns to the board in order to ensure that the Company's operation has been conducted for the sake of transparency and future reference.

Moreover, the Board of Directors defined a policy for maintaining on environmental and social issues for our head office, factories and subsidiaries. The company's production use electricity most. Energy from petroleum fuel is used as a minority. Thus causing contamination from petroleum fuel combustion in less.

The company has provided training on working environment (ISO14000) and update locations around the company, an employee in a better environment, including hire private company that received a concession properly according to the law and administrative organization, to transport and to get rid of the garbage. Sewage from factories through sewage treatment system and monitoring quality control of sewage standards before draining into the public waterway. In addition, the company also hire consulting environmental assessment to monitor and to control environmental consulting to the company to ensure that the control environment as effectively.

- **Disclosure and Transparency**

The Board of Directors shall ensure that all important information relevant to the Company and its subsidiaries, both financial and non-financial, is disclosed correctly, accurately, on a timely basis and transparently through easy-to-access channels that are fair and trustworthy, such as the Company's or the Stock Exchange of Thailand's web site, etc.

- **Responsibilities of the Board of Directors**

The Company's Board of Directors consists of directors with various qualifications, which are experience and expertise that are useful to the Company. Directors commit to their responsibilities and put all time and efforts to encourage transparency and efficiency of the Company's management. The structure of the Board of Directors is composed of 4 independent directors or in the proportion of 1 out of 2 of the board size, which are divided into 3 members of the Audit Committee and 1 Chairman. The Company does not set any other subcommittees; however, the remuneration or nomination of board members and top executives must be approved by the Board of Directors and independent directors attending the meeting.

The Company shall have the board of directors' meeting every 3 months and other meetings as necessary. For the year 2012 (B.E. 2555), the Company held totally 6 meetings which most of our directors attended.

Training and Development of Directors

The Company regularly pays attention to the training and development of the directors. All the newly appointed directors will be required to attend the orientation session which will provide them with adequate information about the Company before they start carrying out their responsibilities. The information includes the Company's vision, missions, strategies, goals, Memorandum of Association, Articles of Association, roles and responsibilities of the Board of Directors, policies on good corporate governance, code of business ethics, code of conduct for directors, information about the business of the related companies, as well as the related rules and regulations. All the directors will be regularly provided with training and additional knowledge. In particular, they will be required to participate in training courses related to the

performance of their responsibilities as director. These courses are organized by the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand, Securities and Exchange Commission. The Company will regularly inform the directors of the details about these courses in advance. The training will enable the directors to carry out their responsibilities and look after the Company's business affairs in an efficient manner.

The directors who have participated in the training courses organized by the Thai Institute of Directors Association (IOD) include the following:

Director Name	Name of Training Course from the Thai Institute of Directors
Mr. Somchai Sakulsurarat	Directors Certification Program (DCP)
Mr. Chareon Rujirasopon	Director Accreditation Program (DAP)
Mrs. Niramol Rujirasopon	Director Accreditation Program (DAP)
Mr.Thanakrit Rujirasopon	Director Accreditation Program (DAP)
Mr.Charoenphan Phanthumongkol	Director Accreditation Program (DAP)
Mr. Prasam Marukpitak	Director Accreditation Program (DAP)

Related Transactions

During 2012, the Company and its subsidiaries have the related transactions with directors and major shareholder as follows:

Person Who may have Conflicts of Interest	Relationship	Type of Major Related Transaction	Volume of Transaction in 2012
1. Mr. Chareon Rujirasopon	Major Shareholder and Management	A subsidiaries rent for a land No. 44, Moo 2, Phaya Yen Sub-District, Pakc Chong District, Nakhon Ratchasima Province, approximately 368 rai and 72 square wah.	THB 396,750

The Necessity and Reasonableness of the Transaction

The entering of related transaction of the Company and its subsidiaries is to operate normal business and support normal business of the Company, which has general terms and conditions.

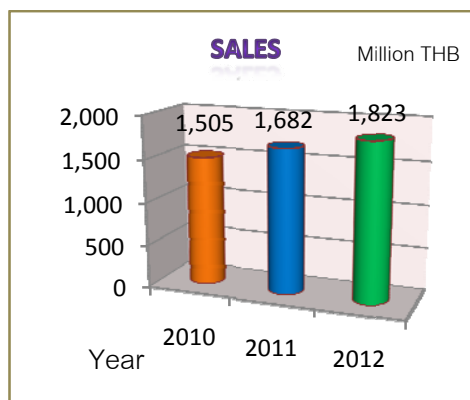
Measure for Related Transactions

In doing related transaction of normal business either with outsiders or with person who may have conflicts of interest, the Company has the same guidance of approval by concerning the benefit of the Company as majority. For other related transactions, the Company agrees to have the transaction must be reviewed by the Audit Committee to ensure that there is no conflict of interest, the Audit Committee shall hire an independent appraiser or financial advisor for the valuation of such transactions in comparison purpose then to present to the Board of Directors for further consideration in approval.

Description and Analysis of Financial Status and Operating Performance

Overview of Past Performance in the Preceding Year

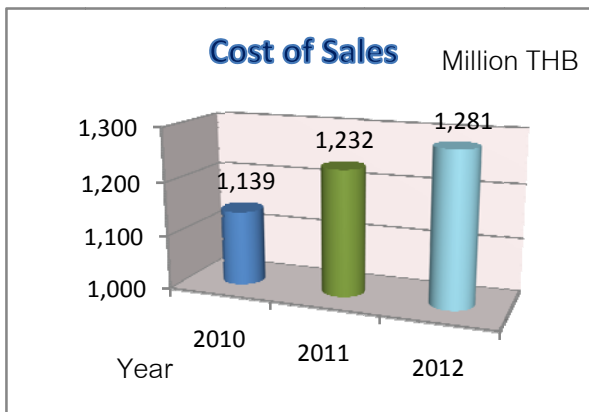
2012 is the year at which the business of the Company has a high growth rate of sales of 8.4 per cent from THB 1,682 in 2011 to THB 1,823. This is due to the change in consumer behavior and time limitation for cooking. Sales volume from Modern Trade - a retailing option for ready-to-eat meal, is growing rapidly. As a result, sales grew in 2012 from the fish balls, snacks, and restaurant sectors.



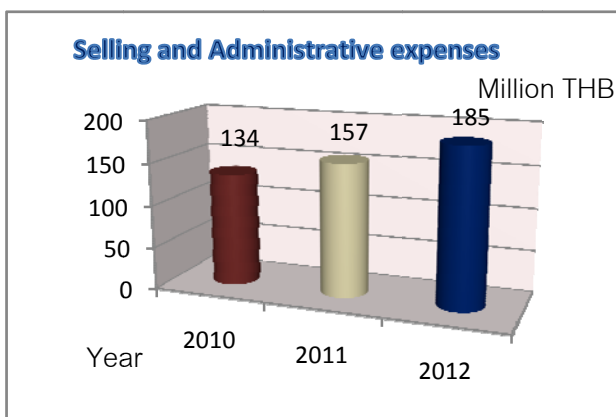
The ready-to-eat frozen food had its full year of production. The revenues from this business in 2012 were THB 126.1 million, which was an increase from THB 117.1 million in 2011. The company was appointed in the OEM production hastily as well as an increase in premium frozen food production under the company's trading brands. However, international sales have dropped by THB 21.9 million. This was the result of the Company's policy to reduce operating risks. The purchase orders are normally agreed at fixed prices, which expose the company to price volatility of raw materials. In 2011, prices of raw materials and packaging had increased significantly. Therefore, the company decided to slow down its export sales and concentrated more on domestic sales, which was more profitable. In addition processed seafood business in 2012 has a growth rate of revenue of 7.63 per cent. The year 2012 was also the year that the company has expanded its "Zaap Restaurant" where sales in 2012 were THB 19.3 million, or 119.08 per cent up from last year. In 2013, the company will focus on increasing the use of raw material from pork meat by creating new menus to fill a gap in the market where competition is not so intense. The company recently planned to launch the latest rice with pork

hock stores under the brand “Yunnan by SorKonKaen” through a single-shop, kiosk store at shopping malls, and community malls. The company aims to employ approximately 30-50 stores within the first operational year.

Cost of sales in 2012 was equivalent to THB 1,280.82 million, or 70.26 per cent of sales compared to sales in 2011 at THB 1231.77 million, or 73.23 per cent of sales. This is due to the effective planning control on raw materials and as a result, the company was able to reduce the impact from fluctuations in costs of raw material.



Selling and administrative expenses of 2012 is THB 410.47 million or 22.52 per cent of sales

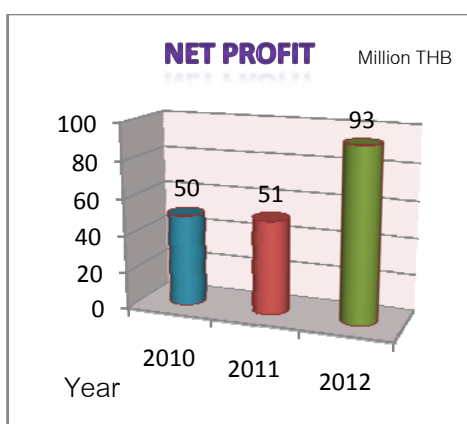


compared to selling and administrative expenses of 2011 at THB 348 million or 20.49 per cent of sales by having selling expenses of 10.16 per cent of sales as same as the previous year while the administrative expenses increases by 8.52 per cent. The increasing of Selling and Administrative expense mainly due to:

- Payroll and employee’s benefit (equivalent to 46.5 per cent of selling and administrative expenses) increased by THB 31.5 million as a result of salary adjustment to be in line with THB 15,000 minimum salary for undergraduate staffs and increasing in staff headcounts to accommodate businesses expansion.

- Selling and Promotion and advertising expenses increase by THB 15.8 million or 23.6 per cent increase as the company increased marketing activities for both new product launched and to build brand awareness for S. Khonkaen's products.
- Professional Fees increased by 30.5 per cent or THB 4.5 million as a result of Professional fee in relation to capital increase in second quarter of year 2012 and consulting fees of Quick Service Restaurant (QSR-Zaap)

Decrease in financial cost from THB 35 million in 2011 to THB 25.3 million in 2012 or 27.7 per cent decrease, as a result of THB 161.7 million capital increasing in second quarter of year 2012 lowering average debt outstanding in 2012.



However, the gross profit in 2012 is THB 542 million or 29.74 per cent of sales, which is higher than last year by 2.97 per cent. The net profit after personal tax is higher than 2011 by 82.28 per cent through the reduction of low-margin product proportion in sales. This is increasing the overall profit of the company. It can be concluded that improving in overall gross profit margin from 26.8 per cent in 2011 to 29.7 per cent in 2012 as a result of:

- Price of pork meat, a major raw material of Traditional Thai Food products was back to normal situation in 2012. Also, with the prudent raw material management, the company was able to stabilize the cost of pork meat during some volatile period during the year.
- Gross Profit Margin of Frozen Foods (Ready-to-Eat Meal) had been continuously increasing from 3.3 per cent in 2011 to 9.6 per cent in 2012 as the result of increasing in domestic OEM sales volume with higher margin and owned brand products with higher margin were added on products line.

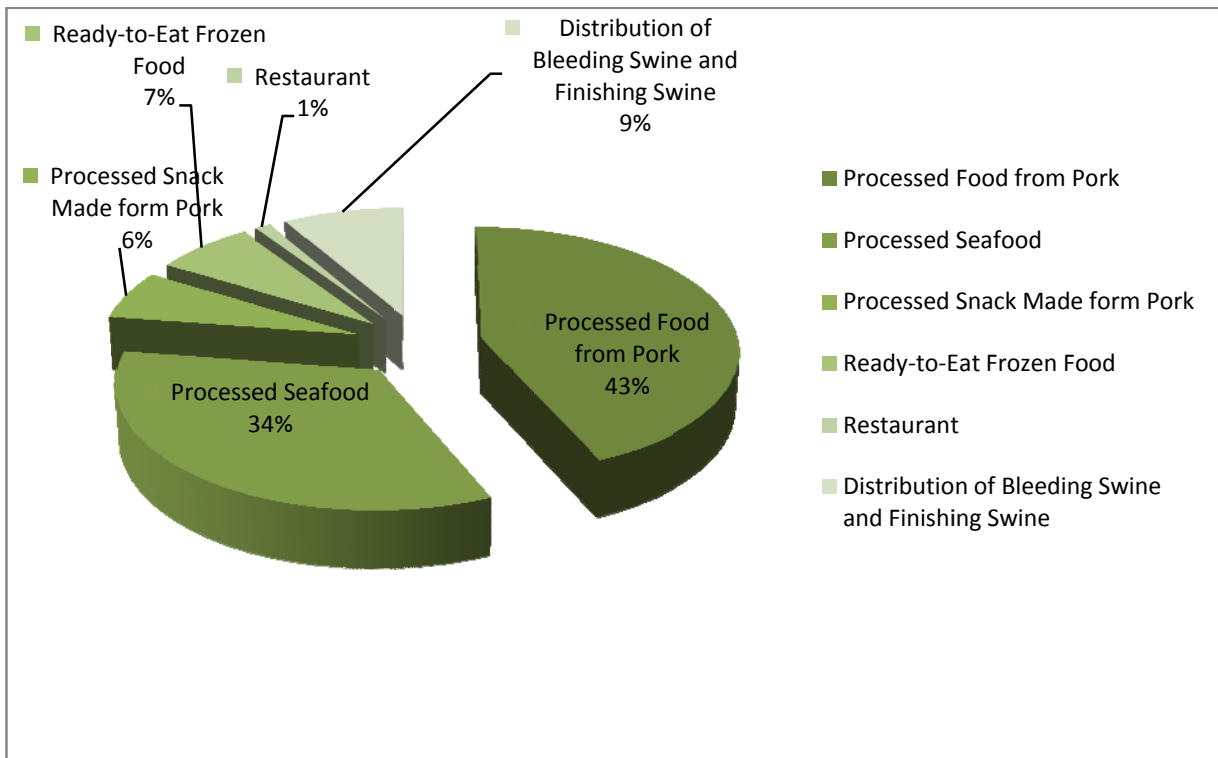
- Increase in minimum wages of THB 300 had not much negatively affected the labor cost since the company's actual wages were not much different from the new minimum wages structure. As a result, the overall labor cost was increasing by 8.1 per cent (including annual wages increase) in 2012 comparing to 2011's.

Operating Performance of Each Business

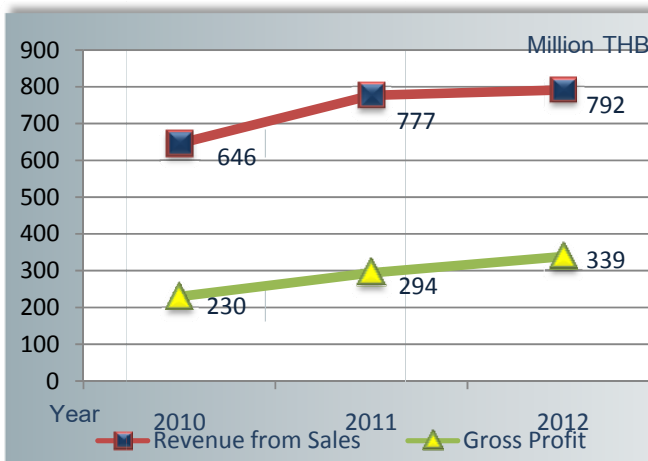
Revenue structure of each business line

Item	2012		2011		2010	
	THB in Million	Proportion	THB in Million	Proportion	THB in Million	Proportion
Processed Food from Pork						
Local	764.3	41.4%	750.9	44.2%	624.4	40.8%
Export	27.1	1.5%	25.6	1.5%	21.6	1.4%
Processed Seafood						
Local	551.0	29.8%	461.1	27.1%	392.3	25.7%
Export	67.4	3.6%	72.9	4.3%	75.5	4.9%
Processed Snack Made from Pork						
Local	104.2	5.6%	94.9	5.6%	86.7	5.7%
Export	10.0	0.5%	8.5	0.5%	6.1	0.4%
Ready-to-Eat Frozen Food						
Local	123.1	6.7%	92.3	5.4%	63.7	4.2%
Export	2.9	0.2%	24.8	1.5%	88.1	5.8%
Restaurants	19.3	1.0%	8.8	0.5%	3.0	0.2%
Revenue from Sales of Bleeding Swine and Finishing Swine	153.5	8.3%	142.2	8.4%	143.5	9.4%
Total Revenue from Sales	1,822.9	98.7%	1,682.0	98.9%	1,504.9	98.4%
Other Revenue	23.2	1.3%	18.1	1.1%	23.9	1.6%
Total Revenue	1,846.1	100.0%	1,700.1	100.0%	1,528.8	100.0%

Proportion of Revenue from Sales



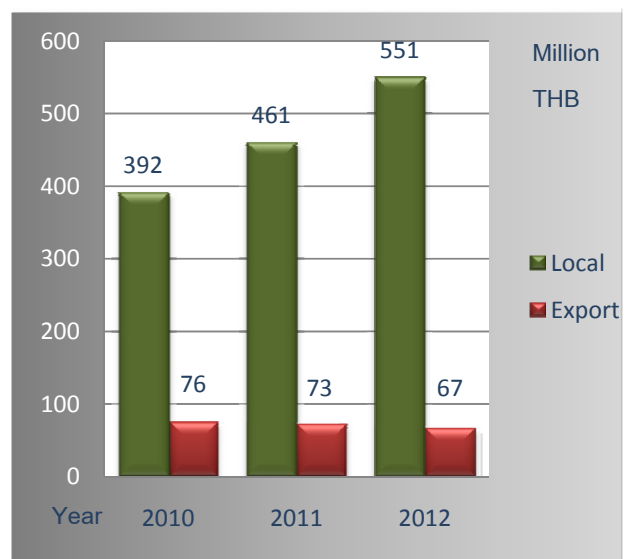
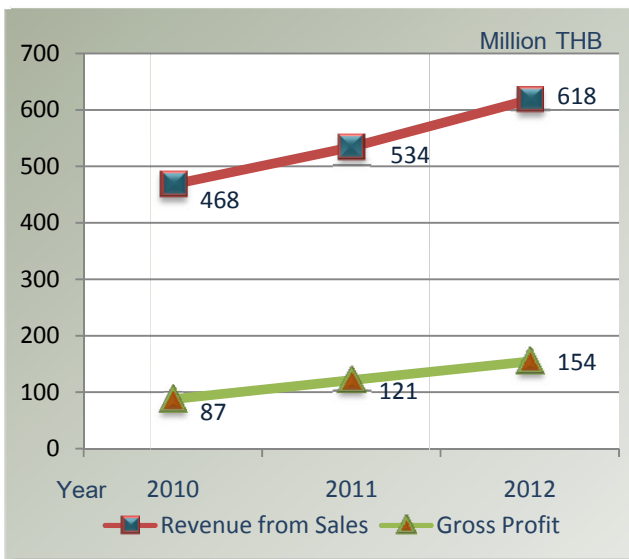
Processed Food from Pork Business



Revenue from sales in 2012 has a growth rate of 1.92 per cent from THB 776.5 million in 2011 to THB 791.5 million in 2012 from an increasing in demand of both local and international markets as a

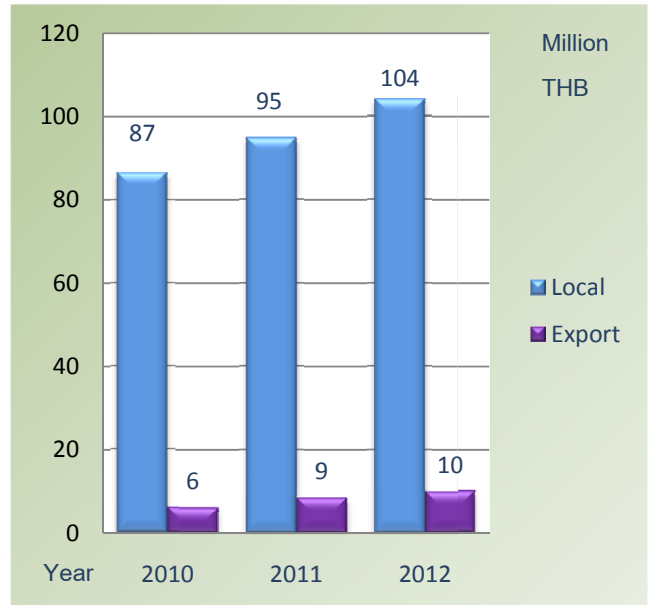
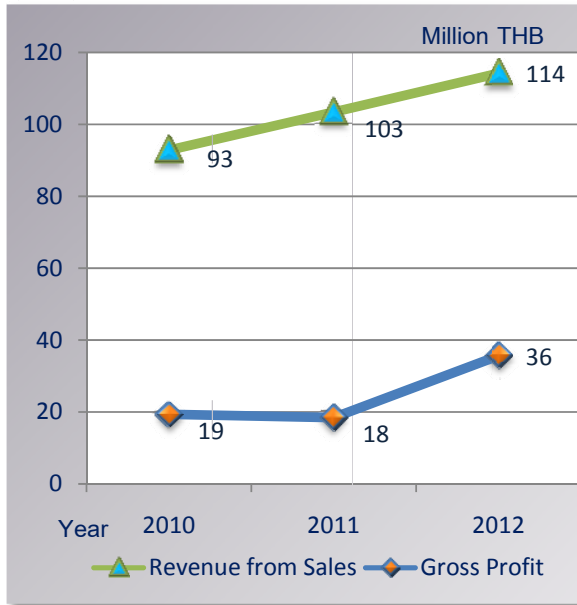
factor. Gross profit margin of the business in 2012 is 42.8 per cent or 5.43 per cent increasing from 2011.

Processed Seafood Business



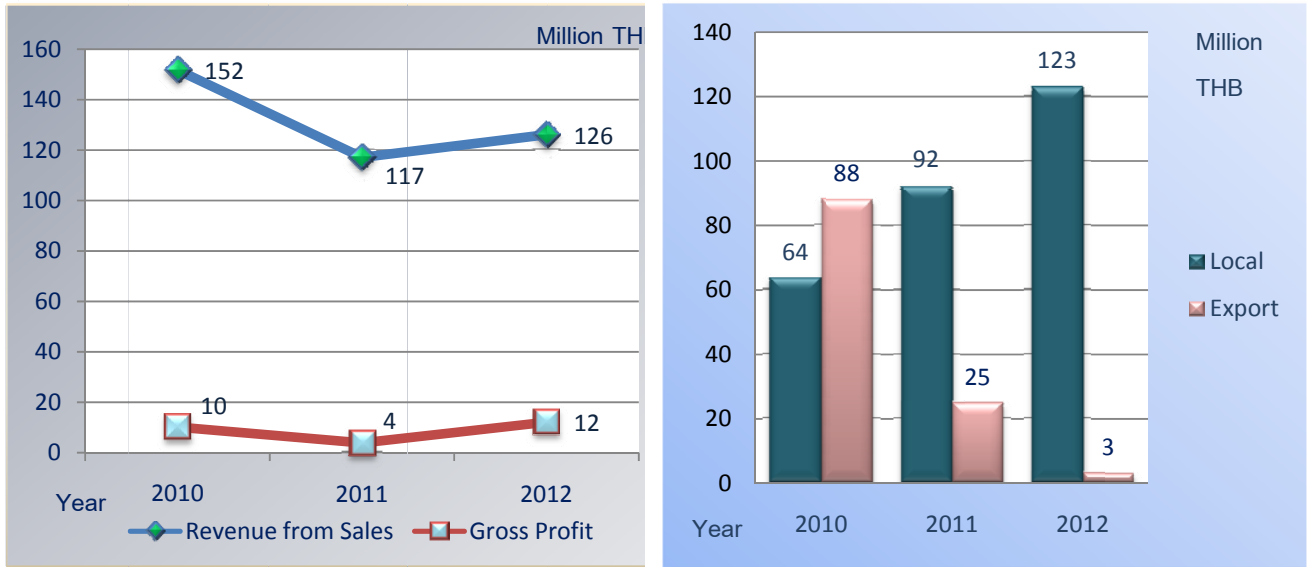
Revenue from sales in 2012 has a growth rate of 15.79 per cent from THB 534 million in 2011 to THB 618.4 million in 2012 from an increasing in demand of the local market as a factor with the growth rate of 19.48 per cent while international sales decline for 7.58 per cent. Gross profit margin of the business in 2012 is 24.9 per cent or 2.24 per cent increasing from 2011.

Processed Snack Made form Pork Business



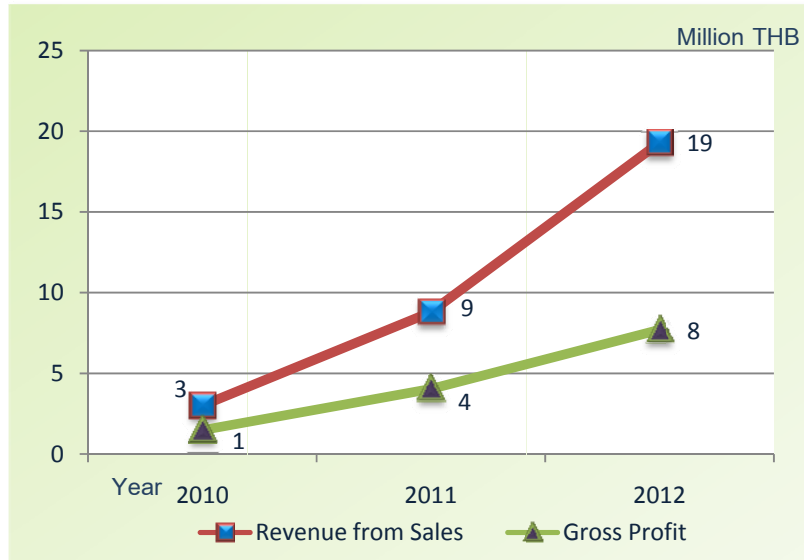
Revenue from sales in 2012 has a growth rate of 10.53 per cent from THB 103.3 million in 2011 to THB 114.2 million in 2012 from an increasing in demand of both local and international markets as a factor. Local sales growth for 9.85 per cent while international sales growth for 18.13 per cent. Gross profit margin of the business in 2012 is 31.2 per cent or 13.41 per cent increasing from 2011.

Ready-to-Eat Frozen Food Business



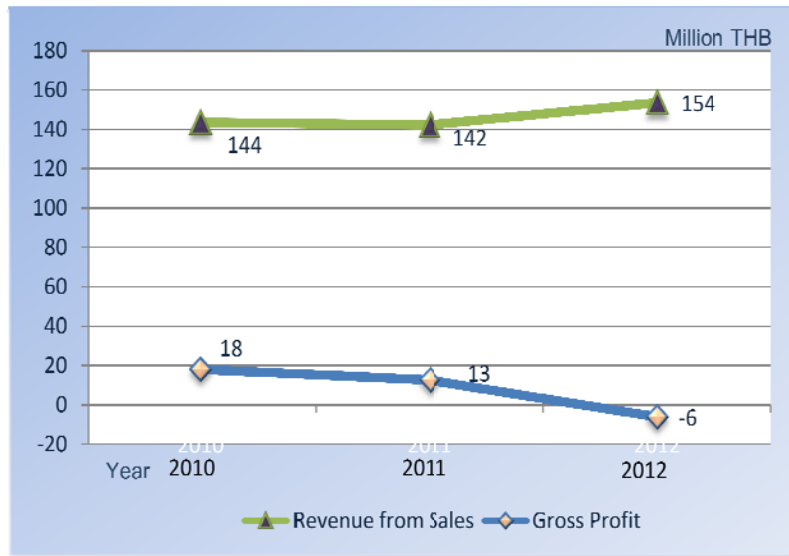
Revenue from sales in 2012 has a growth rate of 7.63 per cent from THB 117.1 million in 2011 to THB 126.1 million in 2012 from an increasing in demand of the local market as the Company manufactured more OEM products this year, while international sales decline for THB 21.9 million as the Company had decided to slow down its expert sales. However, the Company plans to manufacture more of its own premium brands this year. Gross profit margin of the business in 2012 is 9.6 per cent or 6.3 per cent increasing from 2011.

Restaurant Business



Revenue from sales in 2012 has a growth rate of 119.08 per cent from THB 8.8 million in 2011 to THB 19.3 million in 2012 and this is due to the restaurant expansion in 2012. Gross profit margin of the business in 2012 is 39.8 per cent or 6.25 per cent decreasing from 2011 as such decline was resulted by the adjustment in employee's base salary in lieu with the minimum wage policy launched by the Ministry of Labor.

Distribution of Bleeding Swine and Finishing Swine Business



Revenue from sales in 2012 has a growth rate of 7.97 per cent from THB 142.2 million in 2011 to THB 153.5 million in 2012. Gross profit margin of the business in 2012 is -4 per cent or 12.92 per cent decreasing from 2011 by having cost of raw material, volatility of selling price and climate in some periods inhospitable as the major factors.

The Analysis of Financial Position

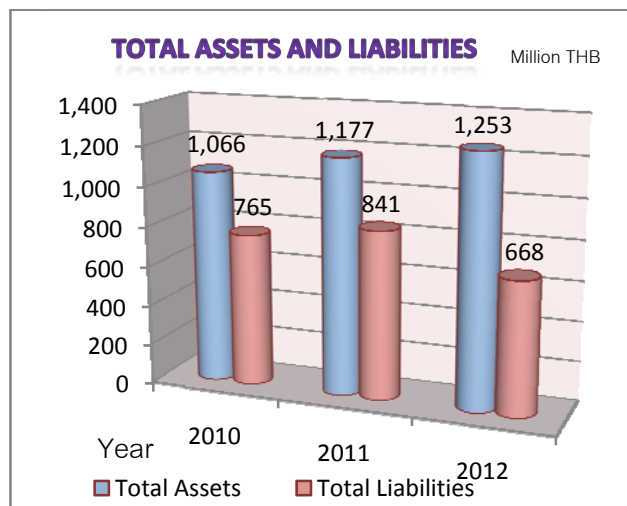
Assets and Liquidity

As at 31 December 2012, total assets of the Company is THB 1,252.74 million consisting of current assets of THB 496.34 million, property, plant and equipment of THB 388.63 million and other non-current assets of THB 367.77 million.

The Company has a cash and cash equivalent of THB 30.2 million compared to THB 10.2 million of 2011 as it is the cash flow from operating activities of THB 141.8 million increasing by THB 110.83 million in 2011 as a

result of the decreasing in the using of working capital. In addition, the Company has an additional investment in 2012 totaling THB 85.73 million from the acquisition of land, building and machinery for the expansion in products of processed seafood business and the investment in restaurant business. Cash flow used in financing activities in 2012 is consisting of the repayment for long-term loan, liabilities under finance lease and hire-purchase, interest payment and dividend payment of THB 69.84 million.

The current ratio in accordance with the consolidated financial statement as at 31 December 2012 is 0.9 times, which is increasing from 31 December 2011 of 0.6 times. The cash circle is 69 days increasing from the previous year at the average of 64 days.



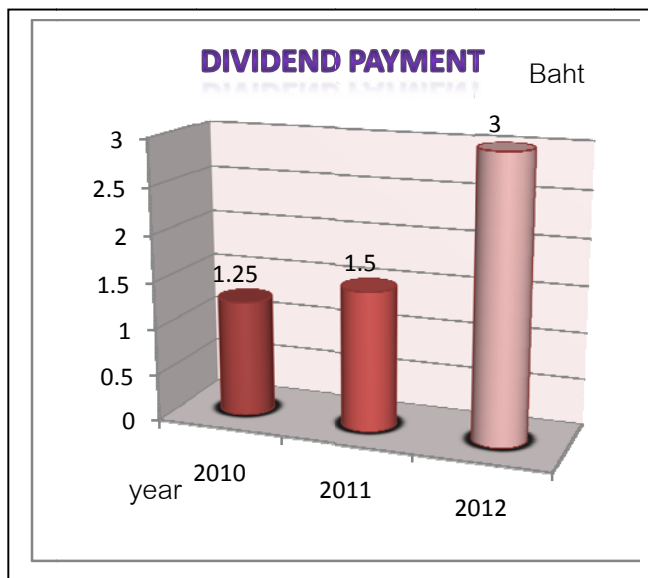
Source of Fund

In 2012, the company has raised the capital fund for THB 161.7 million by issuing 16,170,000 ordinary shares of par value at THB 10 each to circulate the cash flow of the company's operation.

Net Debt to Equity Ratio as at 31 December 2012 is 1.14 times compares to 2.50 times as at 31 December 2011 and this is resulted from the success in capital rising in 2012.

As at 31 December 2012, the shareholders' equity is THB 584.95 million or 73.86

per cent increasing from the previous year, leading the company to gain capability in increasing dividends pay-out to shareholders every year.



S. Khon Kaen Foods Public Company Limited
and its subsidiaries

Report and consolidated financial statements

31 December 2012

Independent Auditor's Report

To the Shareholders of S. Khon Kaen Foods Public Company Limited

I have audited the accompanying consolidated financial statements of S. Khon Kaen Foods Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of S. Khon Kaen Foods Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S. Khon Kaen Foods Public Company Limited and its subsidiaries and of S. Khon Kaen Foods Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok: 27 February 2013

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalents	7	30,201,238	10,204,633	1,067,452	1,769,578
Trade and other receivables	6, 8	293,301,433	284,303,841	282,477,857	274,503,695
Short-term loans to related parties	6	-	-	80,000,000	-
Inventories	9	160,552,843	161,234,165	103,838,254	98,084,437
Dividend receivables	6	-	-	-	37,122,853
Other current assets		12,287,030	11,589,162	6,174,939	7,194,630
Total current assets		496,342,544	467,331,801	473,558,502	418,675,193
Non-current assets					
Restricted bank deposits	10	171,330	1,171,037	-	-
Investments in subsidiaries	11	-	-	292,184,701	223,077,559
Investment properties	12	332,089,099	332,089,099	62,530,000	62,530,000
Breeding stocks	13	7,991,128	7,409,673	-	-
Property, plant and equipment	14	388,626,559	347,267,709	251,565,647	239,093,812
Intangible assets	15	18,026,702	13,465,544	17,557,401	12,920,018
Other non-current assets		9,495,097	8,224,026	9,476,098	8,209,026
Total non-current assets		756,399,915	709,627,088	633,313,847	545,830,415
Total assets		1,252,742,459	1,176,958,889	1,106,872,349	964,505,608

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	16	316,388,308	524,504,185	298,353,998	356,150,068
Trade and other payables	6, 17	117,951,195	126,916,224	100,236,850	122,690,862
Short-term loan from a related party	6	-	-	50,000,000	-
Current portion of financial lease payables	18	3,744,971	3,982,908	2,307,272	2,284,525
Current portion of long-term loans	19	29,772,000	13,920,000	19,092,000	13,920,000
Income tax payable		23,079,064	20,471,399	11,153,408	11,381,494
Other current liabilities		75,750,346	66,689,211	64,468,234	56,530,288
Total current liabilities		566,685,884	756,483,927	545,611,762	562,957,237
Non-current liabilities					
Financial lease payables, net of current portion	18	5,228,515	8,959,261	4,525,159	6,794,078
Long-term loans, net of current portion	19	62,979,400	41,285,000	33,469,400	41,285,000
Provision for long-term employee benefits	20	32,899,254	33,786,303	17,829,707	21,865,724
Total non-current liabilities		101,107,169	84,030,564	55,824,266	69,944,802
Total liabilities		667,793,053	840,514,491	601,436,028	632,902,039

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Shareholders' equity					
Share capital	21				
Registered					
24,255,000 ordinary shares of Baht 10 each		242,550,000	242,550,000	242,550,000	242,550,000
Issued and fully paid					
24,255,000 ordinary shares of Baht 10 each (2011: 8,085,000 ordinary shares of Baht 10 each)		242,550,000	80,850,000	242,550,000	80,850,000
Share premium		50,281,000	50,281,000	50,281,000	50,281,000
Share premium on treasury stock		37,552,153	-	-	-
The Company's shares held by its subsidiaries		-	(25,526,950)	-	-
Retained earnings					
Appropriated - statutory reserve	22	24,255,000	8,085,000	24,255,000	8,085,000
Unappropriated		116,322,695	105,323,683	90,641,401	94,678,649
Other components of shareholders' equity		112,631,066	110,503,395	97,708,920	97,708,920
Equity attributable to owners of the Company		583,591,914	329,516,128	505,436,321	331,603,569
Non-controlling interests of the subsidiaries		1,357,492	6,928,270	-	-
Total shareholders' equity		584,949,406	336,444,398	505,436,321	331,603,569
Total liabilities and shareholders' equity		1,252,742,459	1,176,958,889	1,106,872,349	964,505,608

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Income statement

For the year ended 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Revenues					
Sales		1,822,929,605	1,682,012,624	1,358,242,514	1,271,370,251
Other income		23,228,437	18,119,830	7,038,488	42,318,176
Total revenues		1,846,158,042	1,700,132,454	1,365,281,002	1,313,688,427
Expenses					
Cost of sales		1,280,818,318	1,231,770,912	912,377,444	926,446,072
Selling expenses		185,139,894	156,929,094	165,372,916	138,296,096
Administrative expenses		225,333,062	191,507,617	166,001,076	144,748,332
Other expenses		-	4,130,602	-	1,770,000
Total expenses		1,691,291,274	1,584,338,225	1,243,751,436	1,211,260,500
Profit before finance cost and income tax expenses		154,866,768	115,794,229	121,529,566	102,427,927
Finance cost		(25,324,812)	(34,993,807)	(19,962,320)	(25,183,344)
Profit before income tax expenses		129,541,956	80,800,422	101,567,246	77,244,583
Income tax expenses		(36,030,957)	(29,501,209)	(22,841,616)	(14,513,865)
Profit for the year		93,510,999	51,299,213	78,725,630	62,730,718
Profit attributable to:					
Equity holders of the Company		93,093,626	50,830,476	78,725,630	62,730,718
Non-controlling interests of the subsidiaries		417,373	468,737		
		93,510,999	51,299,213		
Basic earnings per share	24				
Profit attributable to equity holders of the Company		4.83	7.87	3.97	7.76

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profit for the year		93,510,999	51,299,213	78,725,630	62,730,718
Other comprehensive income:					
Gain on revaluation of land		-	21,790,500	-	21,790,500
Gain on revaluation of land of subsidiaries		-	1,946,767	-	-
Actuarial gains	20	3,903,852	-	6,172,122	-
Other comprehensive income for the year		3,903,852	23,737,267	6,172,122	21,790,500
Total comprehensive income for the year		97,414,851	75,036,480	84,897,752	84,521,218
Total comprehensive income attributable to:					
Equity holders of the Company		97,009,312	74,511,427	84,897,752	84,521,218
Non-controlling interests of the subsidiaries		405,539	525,053		
		97,414,851	75,036,480		

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before tax	129,541,956	80,800,422	101,567,246	77,244,583
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation - plant and equipment	44,211,121	41,371,039	28,473,444	28,500,485
Amortisation - intangible assets	559,245	555,090	483,019	479,294
Depreciation - breeding stocks	4,670,360	5,449,287	-	-
Bad debt for short-term loan and interest receivable to related p	-	24,709	-	-
Decrease of inventory to net realisable value (reversal)	(4,255,889)	1,975,240	(4,255,889)	1,975,240
Gain on sales of equipment	(75,442)	(412,334)	(63,247)	(151,315)
Gain on sales of sows and boars	(4,120,172)	(2,897,475)	-	-
Donation of equipment	32	80	-	78
Allowance for impairment loss on assets	-	4,130,602	-	1,770,000
Write-off on assets	-	101,485	-	-
Provision for long-term employee benefits	3,749,300	4,621,399	2,667,644	3,137,782
Unrealised gain on exchange	(64,062)	(242,057)	(64,062)	(242,057)
Dividend income	-	-	-	(37,122,853)
Interest income	(740,550)	(749,088)	(2,374,708)	(726,358)
Interest expenses	25,324,812	34,993,807	19,962,320	25,183,344
Profit from operating activities before changes in operating assets and liabilities	198,800,711	169,722,206	146,395,767	100,048,223
Operating assets (increase) decrease				
Trade and other receivables	(8,933,530)	(28,223,404)	(7,504,894)	(29,290,509)
Inventories	(829,889)	(27,613,439)	(1,497,928)	(15,327,879)
Other current assets	(697,868)	(1,315,202)	1,019,692	(97,876)
Other non-current assets	(1,271,069)	(2,600,608)	(1,267,072)	(2,674,568)

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Operating liabilities increase (decrease)				
Trade and other payable	(8,965,029)	(1,606,457)	(22,581,409)	16,202,511
Provision for long-term employee benefits	(732,500)	(997,888)	(531,540)	(707,528)
Other current liabilities	9,070,512	19,476,987	7,927,732	17,942,645
Cash flows from operating activities	186,441,338	126,842,195	121,960,348	86,095,019
Cash paid for income tax	(44,640,168)	(16,012,048)	(23,069,701)	(3,946,477)
Net cash flows from operating activities	141,801,170	110,830,147	98,890,647	82,148,542
Cash flows from investing activities				
Decrease in restricted bank deposits	999,707	1,096,605	-	-
(Increase) decrease in short-term loans to related parties	-	-	(80,000,000)	986,036
Cash paid for purchase of land and equipment	(85,732,613)	(60,274,563)	(41,104,958)	(32,691,554)
Cash paid for purchases of sows and boars	(110,591)	(4,842,392)	-	-
Cash paid for purchases of intangible assets	(5,120,403)	(13,060,548)	(5,120,403)	(13,023,098)
Cash paid for purchases of investment in subsidiaries	(3,848,646)	-	(69,107,142)	-
Cash received from sales of investment in the Company	74,295,980	-	-	-
Cash received from sales of equipment	238,052	855,834	222,926	587,834
Cash received from sales of sows and boars	4,746,048	4,915,645	-	-
Dividend received	-	-	37,122,853	-
Cash received from interest income	740,550	1,349,088	1,969,503	726,358
Net cash flows used in investing activities	(13,791,916)	(69,960,331)	(156,017,221)	(43,414,424)

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(208,115,877)	23,420,659	(57,796,070)	13,087,637
Increase in short-term loan from a related party	-	-	50,000,000	-
Increase (decrease) in long-term loans	37,546,400	(9,295,044)	(2,643,600)	(9,295,044)
Decrease in financial lease payable	(3,968,683)	(6,339,934)	(2,246,172)	(4,657,899)
Proceeds from increase in share capital	161,700,000	-	161,700,000	-
Cash paid for interest expenses	(25,334,189)	(34,946,943)	(19,824,710)	(25,139,494)
Dividend paid	(69,840,300)	(9,690,000)	(72,765,000)	(12,127,500)
Net cash flows from (used in) financing activities	(108,012,649)	(36,851,262)	56,424,448	(38,132,300)
Net increase (decrease) in cash and cash equivalents	19,996,605	4,018,554	(702,126)	601,818
Cash and cash equivalents at beginning of year	10,204,633	6,186,079	1,769,578	1,167,760
Cash and cash equivalents at end of year	30,201,238	10,204,633	1,067,452	1,769,578
	-	-	-	-
Supplemental cash flows information				
Non-cash items transaction				
Purchases of equipment by financial lease agreements	-	2,449,199	-	1,512,065
Adjustment of reserve for long-term employee benefits with the beginning balance of retained earnings	-	29,787,954	-	19,435,470

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Baht)

Consolidated financial statements

		Equity attributable to owners of the Company						Other components of equity				Total equity	Equity attributable	Total
		Issued and fully paid-up		Share premium on treasury stock	The Company's shares held by its subsidiaries	Retained earnings		Surplus on revaluation of land	Surplus on revaluation of subsidiaries	Surplus of changes in shareholder's equity to subsidiaries	Total other components of shareholders' equity	attributable to owners of the Company	to non-controlling interests of the subsidiaries	shareholders' equity
Note		share capital	Share premium	stock		Appropriated	Unappropriated	of land	of subsidiaries			the Company	the subsidiaries	equity
	Balance as at 1 January 2011	80,850,000	50,281,000	-	(25,526,950)	8,085,000	64,183,207	75,918,420	10,904,024	-	86,822,444	264,694,701	6,745,405	271,440,106
	Dividend paid	-	-	-	-	-	(12,127,500)	-	-	-	-	(12,127,500)	-	(12,127,500)
	Dividend paid in respect of the Company's shares held by its subsidiaries	-	-	-	-	-	2,437,500	-	-	-	-	2,437,500	-	2,437,500
	Dividend paid - net	-	-	-	-	-	(9,690,000)	-	-	-	-	(9,690,000)	-	(9,690,000)
	Total comprehensive income for the year	-	-	-	-	-	50,830,476	21,790,500	1,890,451	-	23,680,951	74,511,427	525,053	75,036,480
	Decrease in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(342,188)	(342,188)
	Balance as at 31 December 2011	<u>80,850,000</u>	<u>50,281,000</u>	<u>-</u>	<u>(25,526,950)</u>	<u>8,085,000</u>	<u>105,323,683</u>	<u>97,708,920</u>	<u>12,794,475</u>	<u>-</u>	<u>110,503,395</u>	<u>329,516,128</u>	<u>6,928,270</u>	<u>336,444,398</u>
	Balance as at 1 January 2012	80,850,000	50,281,000	-	(25,526,950)	8,085,000	105,323,683	97,708,920	12,794,475	-	110,503,395	329,516,128	6,928,270	336,444,398
	Increase share capital	161,700,000	-	-	-	-	-	-	-	-	-	161,700,000	-	161,700,000
	Dividend paid	-	-	-	-	-	(72,765,000)	-	-	-	-	(72,765,000)	-	(72,765,000)
	Dividend paid in respect of the Company's shares held by its subsidiaries	-	-	-	-	-	2,924,700	-	-	-	-	2,924,700	-	2,924,700
	Dividend paid - net	-	-	-	-	-	(69,840,300)	-	-	-	-	(69,840,300)	-	(69,840,300)
	Total comprehensive income for the year	-	-	-	-	-	97,009,312	-	-	-	-	97,009,312	405,539	97,414,851
	Decrease in the Company's shares held by its subsidiaries	-	-	37,552,153	25,526,950	-	-	-	-	-	-	63,079,103	-	63,079,103
	Change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	1,649,718	1,649,718	1,649,718	-	1,649,718
	Decrease in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	477,953	-	477,953	477,953	(5,976,317)	(5,498,364)
	Transferred to statutory reserve	-	-	-	-	16,170,000	(16,170,000)	-	-	-	-	-	-	-
	Balance as at 31 December 2012	<u>242,550,000</u>	<u>50,281,000</u>	<u>37,552,153</u>	<u>-</u>	<u>24,255,000</u>	<u>116,322,695</u>	<u>97,708,920</u>	<u>13,272,428</u>	<u>1,649,718</u>	<u>112,631,066</u>	<u>583,591,914</u>	<u>1,357,492</u>	<u>584,949,406</u>

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2012

(Unit: Baht)

		Separate financial statements				Other components of equity	Total
		Issued and fully paid-up	Share premium	Retained earnings		Other comprehensive income	shareholders' equity
Note	share capital		Appropriated	Unappropriated	Surplus on revaluation of land		
Balance as at 1 January 2011	80,850,000	50,281,000	8,085,000	44,075,431	75,918,420	259,209,851	
Dividend paid	26	-	-	(12,127,500)	-	(12,127,500)	
Total comprehensive income for the year	-	-	-	62,730,718	21,790,500	84,521,218	
Balance as at 31 December 2011	80,850,000	50,281,000	8,085,000	94,678,649	97,708,920	331,603,569	
Balance as at 1 January 2012	80,850,000	50,281,000	8,085,000	94,678,649	97,708,920	331,603,569	
Increase share capital	161,700,000	-	-	-	-	161,700,000	
Dividend paid	26	-	-	(72,765,000)	-	(72,765,000)	
Total comprehensive income for the year	-	-	-	84,897,752	-	84,897,752	
Transferred to statutory reserve	-	-	16,170,000	(16,170,000)	-	-	
Balance as at 31 December 2012	242,550,000	50,281,000	24,255,000	90,641,401	97,708,920	505,436,321	

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2012

1. General information

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

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2012	2011
			Percent	Percent
S. Pasusat Company Limited	Feeding and distribution of pig	Thailand	100	93
S.K.K. Food Company Limited	Distribution of food products	Thailand	99	96
Mahachai Food Processing Company Limited	Manufacture and distribution of food products	Thailand	99	96

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of decreasing brought-forward retained earnings and other components of shareholders' equity of the year 2013 to the Company and its subsidiaries by approximately Baht 6.02 million in total (the Company only: approximately Baht 9.58 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.

4. Significant accounting policies

4.1 Income recognition

Sales of goods

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

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

4.5 Investments

- a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- b) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

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

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

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

4.6 Investment properties

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

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

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

4.7 Property, plant and equipment and depreciation

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

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

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

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

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

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

No depreciation is provided on land and construction in progress.

Depreciation is included in determining income.

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

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

4.8 Breeding stocks

For subsidiary, the breeding stocks are expected to have useful lives of three years. The approximate resale value of boars and sows are about Baht 6,800 each.

4.9 Intangible assets

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

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

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

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

4.10 Related party transactions

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

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

4.11 Long-term leases

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

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

4.12 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

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

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

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

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined benefit plans

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

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

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

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

4.15 Provisions

Provisions are recognised when the Company and its subsidiaries have 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.

4.16 Income tax

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.

5. Significant accounting judgments and estimates

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

Leases

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

Allowance for doubtful accounts

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

Fair value of financial instruments

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

Impairment of equity investments

The Company treats other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

Property plant and equipment/Depreciation

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

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

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

Intangible assets

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

Post-employment benefits under defined benefit plans

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

6. Related party transactions

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

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	27,672	25,847	Gross profit of 7% - 15%
Rental income	-	-	78	76	Rental of Baht 1,350 - 2,750 per month
Sales of fixed assets and supplies	-	-	123	103	Net book value
Service income	-	-	26	13	Agreed price
Dividend income	-	-	-	37,123	As declared
Interest income	-	-	2,309	-	MLR - 1%
Rental expenses	-	-	54	54	Rental of Baht 4,500 per month
Purchases of goods	-	-	254,354	219,635	Cost plus margin 5% - 20%
Purchases of fixed assets and supplies	-	-	232	185	Net book value
Interest expenses	-	-	756	-	3.00% p.a.

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Trade and other receivables - related parties</u> (Note 8)				
Subsidiaries	-	-	2,562	3,236
<u>Short-term loans to related parties</u>				
Subsidiaries	-	-	80,000	-
<u>Dividend receivables - related parties</u>				
Subsidiaries	-	-	-	37,123
<u>Trade and other payables - related parties</u> (Note 17)				
Subsidiaries	-	-	20,948	39,959
<u>Short-term loan from a related party</u>				
Subsidiary	-	-	50,000	-

Loans to related parties and loans from related party

As at 31 December 2012 and 2011, the balance of loans between the Company and those related companies and the movement are as follows:

(Unit: Thousand Baht)

		Separate financial statements			
		Balance as at	Increase	Decrease	Balance as at
<u>Loans to related parties</u>	<u>Related by</u>	<u>31 Dec. 2011</u>	<u>during the year</u>	<u>during the year</u>	<u>31 Dec. 2012</u>
S. Pasusat Company Limited	Subsidiaries	-	30,000	-	30,000
Mahachai Food Processing	Subsidiaries	-	50,000	-	50,000
Total		-	80,000	-	80,000

(Unit: Thousand Baht)

		Separate financial statements			
		Balance as at	Increase	Decrease	Balance as at
<u>Loan from a related party</u>	<u>Related by</u>	<u>31 Dec. 2011</u>	<u>during the year</u>	<u>during the year</u>	<u>31 Dec. 2012</u>
S.K.K. Food Company Limited	Subsidiaries	-	80,000	(30,000)	50,000

Directors and management's benefits

During the year ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	67,394	57,272	51,984	42,986
Post-employment benefits	1,620	835	1,324	541
Total	69,014	58,107	53,308	43,527

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 27.3 (3) to the financial statements.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	296	239	109	73
Bank deposits	29,905	9,966	958	1,696
Total	<u>30,201</u>	<u>10,205</u>	<u>1,067</u>	<u>1,769</u>

As at 31 December 2012, bank deposits in saving accounts carried interests between 0.125 and 2.25 percent per annum (2011: between 0.5 and 0.875 percent per annum).

8. Trade and other receivables

The balances of trade and other receivables as at 31 December 2012 and 2011, aged on the basis of due date, are summarised below.

(Unit: Thousand Baht)

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>		<u>financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	2,087	3,165
Total trade receivables - related parties	-	-	2,087	3,165

Trade receivables - unrelated parties

Aged on the basis of due dates

Not yet due	263,010	253,081	259,526	250,311
Past due				
Up to 3 months	20,476	19,704	12,079	11,048
3 - 6 months	4	-	4	-
Over 12 months	467	467	467	467
Total	283,957	273,252	272,076	261,826
Less: Allowance for doubtful debts	(500)	(500)	(500)	(500)
Total trade receivables - related parties, net	283,457	272,752	271,576	261,326
Total trade receivables, net	283,457	272,752	273,663	264,491
<u>Other receivables</u>				
Advances - related party	-	-	70	71
Interest receivable - related party	-	-	405	-
Others	9,845	11,552	8,340	9,942
Total other receivables	9,845	11,552	8,815	10,013
Total trade and other receivables - net	293,302	284,304	282,478	274,504

The Company transferred rights of claim totaling Baht 98 million (2011: Baht 100 million) to financial institutions to secure short-term loans.

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
Cost		Reduce cost to net realisable value		Inventory-net		
2012	2011	2012	2011	2012	2011	
Raw materials and						
packing materials	78,974	75,487	(427)	(3,829)	78,547	71,658
Finished goods	47,773	48,335	-	-	47,773	48,335
Work in process	-	720	-	-	-	720
Supplies	2,434	2,792	-	-	2,434	2,792
Plant during crop	659	-	-	-	659	-
Breeding stocks						
during feeding	31,140	37,729	-	-	31,140	37,729
Total	160,980	165,063	(427)	(3,829)	160,553	161,234

(Unit: Thousand Baht)

Separate financial statements						
Cost		Reduce cost to net realisable value		Inventory-net		
2012	2011	2012	2011	2012	2011	
Raw materials and						
packing materials	60,685	54,835	(427)	(3,829)	60,258	51,006
Finished goods	43,580	46,358	-	-	43,580	46,358
Work in process	-	720	-	-	-	720
Total	104,265	101,913	(427)	(3,829)	103,838	98,084

10. Restricted bank deposits

These represent bank deposits pledged with the banks to secure against letter of guarantee issued by those banks.

11. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2012	2011	2012	2011	2012	2011	2012	2011
			Percent	Percent				
S. Pasusat Company Limited	45	45	100	93	44,968	39,797	-	-
S.K.K. Food Company Limited	120	120	99	96	119,225	108,533	-	19,964
Mahachai Food Processing Company Limited	85	85	99	96	127,992	74,748	-	17,159
Total					<u>292,185</u>	<u>223,078</u>	<u>-</u>	<u>37,123</u>

Restructuring of shareholding in subsidiaries

In March 2012, the Company acquired shares of its three subsidiaries from all of their existing shareholders, who consisted of both subsidiaries and other shareholders. The offer price was equivalent to the book value as of 31 December 2011 and the purpose of the acquisition was to clear crossholdings between subsidiaries. Details are as follow:

1. Purchase of 449,998 shares of S. Pasusat Company Limited, equivalent to 10.0% of paid-up capital, at a price of Baht 11.49 per share, or a total of Baht 5.2 million
2. Purchase of 869,985 shares of S.K.K. Food Company Limited, equivalent to 7.2% of paid-up capital, at a price of Baht 12.29 per share, or a total of Baht 10.7 million
3. Purchase of 8,306,482 shares of Mahachai Food Processing Company Limited, equivalent to 48.9% of paid-up capital, at a price of Baht 6.41 per share, or a total of Baht 53.2 million.

The total value of the investments was Baht 69.1 million, which was made up of share payments to subsidiaries of Baht 65.3 million and share payments to other shareholders of Baht 3.8 million.

After restructuring, the Company directly held these three subsidiaries and there were no crossholdings between the subsidiaries.

12. Investment properties

The net book value of investment properties as at 31 December 2012 and 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Land awaiting for development				
Cost	358,191	358,191	82,271	82,271
Less: Allowance for diminution in value	(26,102)	(26,102)	(19,741)	(19,741)
Net book value	<u>332,089</u>	<u>332,089</u>	<u>62,530</u>	<u>62,530</u>

The fair value of the investment properties as at 31 December 2012 and 2011 stated below:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Land awaiting for development	490,103	490,103	62,630	62,630

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

As at 31 December 2012, the Company and its subsidiaries have mortgaged a plot of land with a net book value of Baht 192 million (2011: Baht 192 million) with financial institutions to secure against loans of the Company and its subsidiaries (Separate financial statements: Baht 62 million, 2011: Baht 62 million).

13. Breeding stocks

(Unit: Thousand Baht)

	Consolidated financial statements		
	Sows	Boars	Total
Cost:			
1 January 2011	17,889	510	18,399
Transfers in/purchase	4,638	204	4,842
Disposals/transfers out	(8,362)	(274)	(8,636)
31 December 2011	14,165	440	14,605
Transfers in/purchase	5,518	359	5,877
Disposals/transfers out	(7,317)	(189)	(7,506)
31 December 2012	12,366	610	12,976
Accumulated depreciation:			
1 January 2011	(8,245)	(119)	(8,364)
Depreciation for the year	(5,282)	(167)	(5,449)
Depreciation on disposals	6,479	139	6,618
31 December 2011	(7,048)	(147)	(7,195)
Depreciation for the year	(4,520)	(150)	(4,670)
Depreciation on disposals	6,770	110	6,880
31 December 2012	(4,798)	(187)	(4,985)
Net book value:			
1 January 2011	9,644	391	10,035
31 December 2011	7,117	293	7,410
31 December 2012	7,568	423	7,991
Depreciation for the year			
2011			5,449
2012			4,670

14. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost / Revalued amount:							
1 January 2011	138,308	225,140	239,058	39,160	42,137	9,566	693,369
Additions	770	1,888	9,712	4,669	3,589	42,096	62,724
Disposals/Donations	-	-	(1,753)	(523)	(2,442)	-	(4,718)
Write-off	-	-	-	-	-	(102)	(102)
Transfers	1,600	13,756	24,221	2,979	-	(42,556)	-
Revaluations	23,738	-	-	-	-	-	23,738
31 December 2011	164,416	240,784	271,238	46,285	43,284	9,004	775,011
Additions	28,748	9,370	9,952	3,392	4,611	29,660	85,733
Disposals/Donations	-	(140)	(1,565)	(701)	(71)	-	(2,477)
Transfers	2,831	9,654	9,714	7,053	-	(29,252)	-
31 December 2012	195,995	259,668	289,339	56,029	47,824	9,412	858,267
Accumulated depreciation:							
1 January 2011	(2,876)	(136,459)	(191,698)	(32,455)	(20,181)	-	(383,669)
Depreciation for the year	(232)	(12,418)	(20,039)	(2,477)	(6,205)	-	(41,371)
Depreciation on disposals	-	-	1,751	520	2,003	-	4,274
31 December 2011	(3,108)	(148,877)	(209,986)	(34,412)	(24,383)	-	(420,766)
Depreciation for the year	(552)	(13,977)	(20,039)	(3,506)	(6,137)	-	(44,211)

Consolidated financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Constructior in progress	Total
Depreciation on disposals	-	30	1,541	699	43	-	2,313
31 December 2012	(3,660)	(162,824)	(228,484)	(37,219)	(30,477)	-	(462,664)
Allowance for impairment loss:							
1 January 2011	(3,737)	-	-	-	-	-	(3,737)
Increase during the year	(3,240)	-	-	-	-	-	(3,240)
31 December 2011	(6,977)	-	-	-	-	-	(6,977)
31 December 2012	(6,977)	-	-	-	-	-	(6,977)
Net book value:							
1 January 2011	131,695	88,681	47,360	6,705	21,956	9,566	305,963
31 December 2011	154,331	91,907	61,252	11,873	18,901	9,004	347,268
31 December 2012	185,358	96,844	60,855	18,810	17,347	9,412	388,626
Depreciation for the year							
2011 (Baht 24 million included in manufacturing cost, and the balance in selling and administrative expenses)							41,371
2012 (Baht 26 million included in manufacturing cost, and the balance in selling and administrative expenses)							44,211

(Unit: Thousand Baht)

Separate financial statements

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost / Revalued amount:							
1 January 2011	108,901	117,647	173,452	29,783	23,709	8,007	461,499
Additions	-	1,132	7,789	4,254	2,044	18,984	34,203
Disposals	-	-	(1,748)	(480)	(1,928)	-	(4,156)
Transfers	-	6,598	9,079	2,865	-	(18,542)	-
Revaluation	21,791	-	-	-	-	-	21,791
31 December 2011	130,692	125,377	188,572	36,422	23,825	8,449	513,337
Additions	-	7,108	6,207	2,968	3,624	21,198	41,105
Disposals	-	(140)	(1,550)	(243)	(71)	-	(2,004)
Transfers	-	7,231	8,952	7,053	-	(23,236)	-
31 December 2012	130,692	139,576	202,181	46,200	27,378	6,411	552,438
Accumulated depreciation:							
1 January 2011	-	(71,661)	(135,737)	(25,046)	(10,041)	-	(242,485)
Depreciation for the year	-	(6,702)	(16,214)	(1,838)	(3,746)	-	(28,500)
Depreciation on disposals	-	-	1,745	480	1,494	-	3,719
31 December 2011	-	(78,363)	(150,206)	(26,404)	(12,293)	-	(267,266)
Depreciation for the year	-	(7,642)	(14,354)	(2,856)	(3,621)	-	(28,473)
Depreciation on disposals	-	30	1,528	243	43	-	1,844
31 December 2012	-	(85,975)	(163,032)	(29,017)	(15,871)	-	(293,895)

Separate financial statements

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Allowance for impairment loss:							
1 January 2011	(3,737)	-	-	-	-	-	(3,737)
Increase during the year	(3,240)	-	-	-	-	-	(3,240)
31 December 2011	(6,977)	-	-	-	-	-	(6,977)
31 December 2012	(6,977)	-	-	-	-	-	(6,977)
Net book value:							
1 January 2011	<u>105,164</u>	<u>45,986</u>	<u>37,715</u>	<u>4,737</u>	<u>13,668</u>	<u>8,007</u>	<u>215,277</u>
31 December 2011	<u>123,715</u>	<u>47,014</u>	<u>38,366</u>	<u>10,018</u>	<u>11,532</u>	<u>8,449</u>	<u>239,094</u>
31 December 2012	<u>123,715</u>	<u>53,601</u>	<u>39,149</u>	<u>17,183</u>	<u>11,507</u>	<u>6,411</u>	<u>251,566</u>
Depreciation for the year							
2011 (Baht 14 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>28,500</u>
2012 (Baht 13 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>28,473</u>

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

Based on historical cost, their net book values as of 31 December 2012 and 2011 would have been as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Land	73,272	46,874	32,983	32,983

As at 31 December 2012, the Company and its subsidiaries have equipment acquired under financial lease agreement, with net book value amounting to approximately Baht 12 million (2011: Baht 18 million) (Separate financial statements: Baht 8 million, 2011: Baht 12 million).

As at 31 December 2012, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 299 million (2011: Baht 246 million) (Separate financial statements: Baht 226 million, 2011: Baht 178 million).

The Company and its subsidiaries have mortgaged a plot of land and building constructed thereon and machineries with a total net book value as at 31 December 2012 of Baht 174 million (2011: Baht 179 million) as collateral for credit facilities granted by commercial banks (Separate financial statements: Baht 138 million, 2011: Baht 141 million).

15. Intangible assets

(Unit: Thousand Baht)

	Computer software	
	Consolidated	Separate
	financial statements	financial statements
Cost:		
1 January 2011	7,967	7,263
Additions	13,061	13,023
31 December 2011	21,028	20,286
Additions	5,120	5,120
31 December 2012	26,148	25,406

(Unit: Thousand Baht)

	Computer software	
	Consolidated	Separate
	financial statements	financial statements
Accumulated amortisation:		
1 January 2011	(7,007)	(6,887)
Amortisation for the year	(555)	(479)
31 December 2011	(7,562)	(7,366)
Amortisation for the year	(559)	(483)
31 December 2012	(8,121)	(7,849)
Net book value:		
1 January 2011	960	376
31 December 2011	13,466	12,920
31 December 2012	18,027	17,557
Amortisation for the year		
2011	555	479
2012	559	483

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

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
Bank overdrafts	6.75 - 8.125	47,686	91,561	29,652	63,207
Short-term loans from					
financial institutions	4.38 - 6.98	268,702	432,943	268,702	292,943
Total		316,388	524,504	298,354	356,150

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

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

17. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade payables - related parties	-	-	20,810	39,959
Trade payables - unrelated parties	117,951	126,916	79,289	82,732
Interest payables - related parties	-	-	138	-
Total trade and other payables	117,951	126,916	100,237	122,691

18. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Liabilities under finance lease	9,900	14,577	7,541	10,283
Less: Deferred interest expense	(926)	(1,635)	(709)	(1,204)
Total	8,974	12,942	6,832	9,079
Less: Portion due within one year	(3,745)	(3,983)	(2,307)	(2,285)
Liabilities under finance lease agreement - net of current portion	5,229	8,959	4,525	6,794

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

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

(Unit: Million Baht)

	Consolidated financial statements		
	As at 31 December 2012		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	4,284	5,616	9,900
Deferred interest expenses	(539)	(387)	(926)
Present value of future minimum lease payments	3,745	5,229	8,974

(Unit: Million Baht)

	Consolidated financial statements		
	As at 31 December 2011		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	4,696	9,881	14,577
Deferred interest expenses	(713)	(922)	(1,635)
Present value of future minimum lease payments	<u>3,983</u>	<u>8,959</u>	<u>12,942</u>

(Unit: Million Baht)

	Separate financial statements		
	As at 31 December 2012		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	2,698	4,844	7,542
Deferred interest expenses	(391)	(319)	(710)
Present value of future minimum lease payments	<u>2,307</u>	<u>4,525</u>	<u>6,832</u>

(Unit: Million Baht)

	Separate financial statements		
	As at 31 December 2011		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	2,784	7,499	10,283
Deferred interest expenses	(499)	(705)	(1,204)
Present value of future minimum lease payments	<u>2,285</u>	<u>6,794</u>	<u>9,079</u>

19. Long-term loans

(Unit: Thousand Baht)

Loans	Interest rate (% per annum)	Repayment schedule	Consolidated financial statements		Separate financial statements	
			2012	2011	2012	2011
1	Year 1-2: 4.0%	every three months	3,400	5,800	3,400	5,800
	Year 3-7: MLR					
2	MLR	every month (started in June 2010)	26,250	33,750	26,250	33,750
3	MLR	every month (started in June 2011)	11,635	15,655	11,635	15,655
4	MLR-0.5	every month (started in March 2012)	6,211	-	6,211	-
5	MLR	every month (started in May 2012)	40,190	-	-	-
6	MLR-0.5	every month (started in June 2012)	5,065	-	5,065	-
Total			92,751	55,205	52,561	55,205
Less: Current portion			(29,772)	(13,920)	(19,092)	(13,920)
Long-term loans, net of current portion			<u>62,979</u>	<u>41,285</u>	<u>33,469</u>	<u>41,285</u>

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

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios according to the agreements.

As at 31 December 2012, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 73.6 million (The Company only: Baht 66.4 million).

20. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	33,786	30,163	21,866	19,435
Current service cost	2,606	3,123	1,870	2,155
Interest cost	1,143	1,498	798	983
Benefits paid during the year	(732)	(998)	(532)	(707)
Actuarial gain	(3,904)	-	(6,172)	-
Provisions for long-term employee benefits at end of year	32,899	33,786	17,830	21,866

Long-term employee benefit expenses included in the profit or loss was as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	2,606	3,123	1,870	2,155
Interest cost	1,143	1,498	798	983
Total expense recognized in profit or loss	3,749	4,621	2,668	3,138
Line items under which such expenses are included in profit or loss				
Selling and administrative expenses	3,749	4,621	2,668	3,138

Total actuarial gains and losses recognized in the other comprehensive income of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 3.90 million (The Company only: Baht 6.17 million).

Principal actuarial assumptions at the valuation date were as follows.

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.13 - 4.18	4.32 - 4.41	4.18	4.36 - 4.41
Future salary increase rate	4.16 - 8.51	7.00	4.16 - 8.51	7.00
Staff turnover rate (depending on age)	0.00 - 79.00	0.00 - 94.00	0.00 - 79.00	6.00 - 31.00

Amounts of defined benefit obligation for the current and previous two periods are as follows.

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2012	32,899	17,830	3,907	1,776
Year 2011	33,786	21,866	-	-
Year 2010	30,163	19,435	-	-

21. Share capital

On 27 July 2011, an extraordinary general meeting of the Company's shareholders approved an increase in its registered share capital from Baht 80.85 million to Baht 242.55 million, through the issuance of 16,170,000 ordinary shares with a par value of Baht 10 each. Such shares are to be allocated to its existing shareholders at the ratio of two new shares for one existing share at Baht 10. If there are share remaining

from the offering to the existing shareholders, the Company will allocate the residual to the existing shareholders who subscribe to the newly issued shares in excess of their allotted amount, in proportion to their respective shareholding at the same offering price. On 8 August 2011, the Company amended its memorandum of association to increase in its registered share capital from Baht 80.85 million to Baht 242.55 million.

In April 2012, the Company has received from the issuance of ordinary shares total Baht 161.7 million. The Company registered the charge in its paid-up share capital to be Baht 242.55 million with the Ministry of Commerce on 11 April 2012.

22. 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 income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

23. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Salary and wages and other employee				
benefits	324,312	267,587	218,715	185,019
Depreciation and amortisation	44,770	41,926	28,956	28,980
Rental expenses from operating lease				
agreements	19,588	16,983	18,129	15,935
Raw materials and consumables used	928,257	1,002,309	708,008	814,444
Changes in inventories of finished goods				
and work in progress	7,870	15,084	3,498	6,580

24. Basic earnings per share

Consolidated

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

Separate financial statements

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

Basic earnings per share are calculated as follow:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Profit attributable to equity holder of the parent (Baht)	93,093,626	50,830,476	78,725,630	62,730,718
Weighted average number of ordinary shares (shares)	19,286,791	6,460,000	19,836,967	8,085,000
Earnings per share (Baht/share)	4.83	7.87	3.97	7.76

25. Financial information by segment

The operations of the Company and its subsidiaries involve the business segment of manufacturing processed meat food products, and breeding and rearing of purebred swine for sales to farmers. These activities are carried out in Thailand and oversea. Income comes from both local and export sales.

Below is the consolidated financial information of the Company and its subsidiaries for the years ended 31 December 2012 and 2011 by segment.

(Unit: Million Baht)

	Sales of foods		Sales of pig		Elimination of inter-segment revenues		Consolidation	
	products							
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue from external customers	1,669	1,540	154	142	-	-	1,823	1,682
Intersegment revenues	-	-	-	-	-	-	-	-
Total revenues	<u>1,669</u>	<u>1,540</u>	<u>154</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>1,823</u>	<u>1,682</u>
Segment operating profit (loss)	548	437	(6)	13			542	450
Unallocated income and expenses:								
Other income							23	18
Selling expenses							(185)	(156)
Administrative expenses							(225)	(191)
Other expenses							-	(4)
Financial expenses							(25)	(35)
Tax expenses							(36)	(30)
Non-controlling interests of the subsidiaries							<u>(1)</u>	<u>(1)</u>
Profit for the year							<u>93</u>	<u>51</u>

(Unit: Million Baht)

	Sales of foods		Sales of pig		Elimination of inter-segment revenues		Consolidation	
	products							
	2012	2011	2012	2011	2012	2011	2012	2011
Property, plant and equipment	340	302	49	45	-	-	389	347
Unallocated assets							864	830
Total assets							1,253	1,177

Transfer prices between business segments are as set out in Note 6 to the financial statements.

26. Dividends

The Company declared dividends in years 2012 and 2011 as follows.

(Unit: Baht)

	Approved by	Total dividends	Dividend per share
Dividends on 2011 income	Annual General Meeting of the shareholders on 2 April 2012	72,765,000	3.00
Dividends on 2010 income	Annual General Meeting of the shareholders on 29 April 2011	12,127,500	1.50

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2012, the Company and a subsidiary had capital commitments of approximately Baht 7.47 million, relating to the construction of buildings and acquisition of assets (Separate financial statements: Baht 6.45 million).

27.2 Operating lease and service commitments

The Company has entered into several lease agreements in respect of the lease of land, office building space and service. The terms of the agreements are generally between 1 and 7 years.

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Payable:				
In up to 1 year	21,974	17,692	15,467	13,771
In over 1 year and up to 5 years	14,631	23,103	13,896	22,865
In over 5 years	3,307	5,853	3,307	5,853

27.3 Guarantees

- (1) The subsidiaries have pledged their bank deposits of approximately Baht 0.2 million (2011: Baht 1.0 million) to secure against letters of guarantee issued by those banks.
- (2) A plot of land and building constructed thereon has been mortgaged with financial institutions to secure loan of the Company and its subsidiaries.
- (3) The Company has issued a guarantee against credit facilities with the total of Baht 184 million (2011: Baht 197 million) obtained from financial institutions by its subsidiaries.
- (4) As at 31 December 2012, there were outstanding consolidated bank guarantees of approximately Baht 3 million (2011: Baht 3 million) (Separate financial statements: Baht 2 million, 2011: Baht 2 million) issued by the banks on behalf of the Company and its subsidiaries in respect of guarantees as required in the normal course of business.

28. Financial instruments

28.1 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, trade accounts receivable, loans, trade accounts payable, bank overdrafts and loans from financial institutions. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

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

Interest rate risk

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

Foreign currency risk

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

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

Foreign currency	Financial assets		Exchange rate as at 31 December	
	As at 31 December		(Baht per 1 foreign currency unit)	
	2012	2011	2012	2011
US dollar	128,291	100,103	30.4857	31.4525
HK dollar	2,971,541	2,974,291	3.9207	4.0333
Euro	21,251	5,040	48.9886	40.5938

Foreign exchange contracts outstanding at 31 December 2012 are summarised below.

Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
		Sold	
(Baht per 1 foreign currency unit)			
US dollar	52,756	30.60	14 June 2013
HK dollar	2,369,283	3.96 - 4.01	15 Mar - 21 May 2013

28.2 Fair values of financial instruments

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

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

29. 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 2012, the Group's debt-to-equity ratio was 1.14:1 (2011: 2.50:1) and the Company's was 1.19:1 (2011: 1.91:1).

30. Subsequent events

On 27 February 2013, the meeting of the Company's Board of Directors passed a resolution to propose that the Annual General Meeting of the Shareholders to be held in April 2013 adopt a resolution to pay a dividend of Baht 2.43 per share, totaling not over than Baht 58,939,650.

Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2013.