



ANNUAL REPORT S. KHONKAEN FOODS PLC.

For the year ended 31 December 2013

## THAI FOOD FOR AEC MARKET





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### *Message from the Chairman*

The year of 2013 was another successful year for S.Khonkaen Foods Plc, with revenue growth of 9.4%, amid a sluggish Thai economy affected by political uncertainties, a slowdown in exports, and general low domestic consumption. Our success has largely been a result of strong organic growth through our core businesses, driven by strategic organizational expansion made during the past few years. Our commitment is for sustainable growth through good corporate governance and social responsibility, in order to maintain our status as one of the leading Thai companies.



The Company recorded total revenues of Baht 2,019 million with Baht 91.8 million of net profit. Overall, the Company's gross profit margin declined from 29.7% in 2012 to 28.2% in 2013, mainly as a result of a 21% increase in pork price. Nevertheless, the company closely monitored and prudently managed the pork price fluctuation, whilst having its own swine farm (as a hedging tool) further provided shelter for the overall gross profit margin against the volatile markets.

On behalf of the Board of Directors, I would like to deeply thank all our valuable shareholders, our customers, our business counterparts, as well as the executives and staff of the Company for their good support and co-operation. The contribution and devotion of all our executives and staff, as well as an unwavering sense for responsibility have been the invaluable factors behind the Company's success.

We look forward to continuing this all again in the year of 2014.

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

(Mr. Somchai Sakulsurarat)

Chairman of the Board of Directors

### *Message from the Chief Executive Officer*

In 2013, for the first time in the Company's history, our revenues broke through Baht 2 billion. This success lies in our commitment to provide the best quality delicious foods to customers with fair price. Diversification into opportunistic related foods businesses during the past few years was another factor that strengthened our growth in 2013. This could not have happened without the utmost effort and contribution of all our dedicated executives and staff.



It is foreseeable that there will be strong competition within the marketplace; therefore, our strategic framework is in place to ensure continued steady and sustainable growth. In order to sustain the Company's cost leadership status, we are also committed to the allocation of capital expenditures for investments in new technologies and innovation, as well as to further our development in efficiency improvement or cost reduction programs. We shall continuously invest in staff and human resources development, as well as build out our existing core businesses and expansion into related foods businesses, so as to further the sustainable growth of the Company. In addition to our focus on social responsibility, we are also committed to operate our business with honesty and fairness towards all our Company's stakeholders.

I am confident that the implementation of policies laid down in our strategic framework will result in a reinforcement of our Company, as well as allow us to maintain our position for market leadership in the Thai Food Industry, as per our primary corporate objective. I would like to express my deepest gratitude to all of our employees and stakeholders who have continuously supported and contributed to the success of the company.

A handwritten signature in blue ink, appearing to be 'Charoen Rujirasopon'.

(Mr. Charoen Rujirasopon)

Chief Executive Officer

## 1. Business Overview

S. Khonkaen Foods Public Company Limited (“the Company” or “SORKON”) was established in 1974 by Rujirasopon family as a manufacturer and distributor of products processed from pork or so called “Traditional Thai Foods”. The Company operates its own swine farm to secure the availability of pork meat as well as to stabilize the raw material (pork) cost not too much volatile. The Company started exporting traditional Thai foods to Hong Kong in 1991. The Company was transformed to be a public company and subsequently get listed on the Stock Exchange of Thailand in 1994.

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

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

## Company Group Structure



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

- Production and Distribution of traditional Thai foods, meat-base-snack, RTE meals & RTH foods with 3 factories under its operation as follows:
  - Bangplee: to produce traditional Thai foods (fresh products), namely Vietnamese Sausages, Fermented Sausages, Thai Sausages, and Pork Balls. Meat-Base-Snack also produced at this factory
  - Nakhon Pathom: to produce traditional Thai foods (dried products), namely Shredded Pork, Chinese Sausages, and Crispy Pork
  - Mahachai (Samut Sakhon), to process RTE & RTH foods

- Distribution of processed seafood balls to the modern trade channel
- Quick Service Restaurant

#### **Mahachai Food Processing Company Limited (MFP )**

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

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

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

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

- Swine Farm producing fatteners and piglets

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

- To market Company's products in European countries and UK by contracting a manufacturer in Poland on an OEM basis to produce traditional Thai meat products under its own S.Khonkaen Brand.

(S.Khonkaen (E.U.) ceased its operation since the Company had decided to move an OEM production base from Poland to the Netherlands to ease logistic advantage as well as the Company had managed to attain better terms and conditions from a new OEM contract.)

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

- A newly-set up subsidiary to market Company's products in EU countries and UK by contracting a manufacturer in the Netherland on an OEM basis to produce traditional Thai foods products under its own S.Khonkaen Brand.



## **1.1 Business Policy**

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

### **Objectives**

- To be the largest producer of Thai foods in ASIA and to successfully build “S.Khonkaen” brand awareness among consumers in the AEC market
- To be a market leader in meat base snack in the AEC and in the Middle East markets
- To build brand awareness for Ready-To-Eat (RTE) meals under the “S.Khonkaen” Brand as the best RTE meals & RTH frozen foods in terms of its taste, quality, and cleanliness
- To sustain its cost leadership in order to maintain its competitive advantages over rivals

### **Business Strategies**

- To penetrate AEC market, the Company will initially focus on Cambodia, Laos, Myanmar, and Vietnam (CLMV). Authorized dealer will be appointed in each country to distribute Company’s products. Potential dealers should be financially strong and have strong distribution networks throughout the country.
- To set up a new meat base snack production facility to be operated in accordance with Halal standards as prescribed by The Central Islamic Committee of Thailand, and to be in accordance with EU standards to become a qualified exporter of meat base snack to Middle East, European countries, and the US as well.
- To allocate adequate capital expenditures (CAPEX) to ensure that its technologies are up to dated, and CAPEX for any cost reduction programs. Projects should yield appropriate Internal Rate of Return.

- To engage more in RTE frozen foods focusing on a few selected cuisines which are favorites among Thai, i.e. pork leg stew with rice (khao kha moo), roasted pork with rice (khao moo daeng), and stir fried chicken/pork with basil topping on rice (khao phad kra phao)
- Leverage on strong “S.Khonkaen” Brand and the Company’s cost leadership status to aggressively penetrate the Traditional Trade market (TT market). New TT market sales department has been established.

## 1.2 Major Developments

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

- The Rujirasopon family is still a major shareholder with 56.36% shareholdings (as of November 28, 2013) and having full control over the Company.
- Major developments in 2013:
  - The Company appointed authorized dealer to distribute its products in Laos. This appointed dealer is one of the largest private business groups in Laos with strong distribution network nationwide.
  - The Company launched 4 Yunnan quick service restaurants selling only pork leg stew with rice and Chinese cuisines. The first Yunnan outlet was opened at Bangchak gas station Bangna- Trad km 4.5 as a pilot store, followed by other 3 Yunnan outlets opened at PTT gas stations at Ayudhaya km 55, at Pinehurst, and Bangpoon.
  - The Company decided to move an OEM production base from Poland to the Netherlands in order to have more efficient logistic management as well as the Company had attained better terms and conditions from a new OEM contract.

## 2. Nature of Business

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

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

### 2.1 Nature of Products

#### 2.1.1 Traditional Thai Foods

Traditional Thai foods is one of the Company's core businesses with 42% sales mix in 2013. Products under this category comprise of Vietnamese Sausages, Fermented Sausages, Thai Sausages, Pork Balls, Shredded Pork, Chinese Sausages, and Crispy Pork which are marketed under the Company's own brands, namely S.Khonkaen, Baan Phai, Huay Kaew, Moo Dee, Moo Hoar, 3 Rien Thong, and Moo Champ.



#### 2.1.2 Seafood Balls

Seafood balls, another company's core business with 37% sales contribution, are produced by the Company's subsidiary, MFP. Products included in this category are fish balls, shrimp balls, and squid balls which are distributed by SORKON to the modern trade channel, and by SKKF to the wet market channel. There are 96% of the products produced under the Company's own brands, namely Chiu Chow, Kwang Chow, Kowloon, Mahachai, O-Deng, Yaowarat, Heng Heng, Kai-Zen, and YUMI, while only 4% is OEM. Dipping sauces and chilli pastes, under brand Thai Derm and Thai Niyom, are also included in this category with only 5% sales contribution.



### 2.1.3 Meat-Base-Snack



Meat-Base-Snack is purely made from lean meat of pork and chicken; hence it is also positioned as a healthy food for health-conscious consumers. Products comprise of Bar-B-Q crispy pork, Bar-B-Q crispy fried chicken, roasted pork, roasted chicken, and pork-rind which are produced under the Company's own brands, "Entrée" and "Moochi". Products are 93% sold domestically distributed by DKSH (Thailand), while 7% are exported to Hong Kong and Macau through DKSH (Hong Kong) as a distributor in Hong Kong.

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

The Company has acquired the frozen foods production facilities since 2009 and most of the products were produced under manufacturing contracts (or OEM contract). The Company started marketing the products under its own brand in late 2012 by launching Thai desserts under brand "Tweet" mainly distributed via Makro and also distributed via the HoReCa (Hotel Restaurant and Catering) outlets. In 2013, after a long period of research & development, the Company successfully launched a new product "Pork Leg Stew" being introduced via the 4 of the Company's Yunnan restaurants located in various gas stations. Moreover, the frozen foods factory served as a central kitchen for the Company's QSR business.



### 2.1.5 Quick Service Restaurant (QSR)

#### *Zaap Express ("Zaap")*

Zaap Express focuses on North-eastern Thai foods by using most of the Company's products as ingredients in various menus. The first restaurant was opened by utilizing the spaces in front of the Bangplee factory as a pilot restaurant. At the end of 2013, there were 5 Zaap restaurants in operation. Due to the labor shortage, the Company has revised its policy emphasizing on office and home delivery and starting franchise the "Zaap Kiosk" manned by 3-4 persons per unit.



### *Yunnan by S.Khonkaen ("Yunnan")*

In 2013, the Company launched 4 Yunnan restaurants selling only pork leg stew with rice and soup. The first Yunnan outlet was introduced at Bangchak Gas Station located at Bangna-Trad Km 4.5 as a pilot store, followed by other 3 Yunnan restaurants opened at PTT gas stations at Ayudhaya Km 55, at Pinehurst, and Bangpoon. The Company plans to have at least 8 outlets by the end of 2014.

### **2.1.6 Swine Farms**

The main purpose of backward integrating into its own swine farm is to secure the pork meat, which is the major raw material of Company's products, to mitigate the risk from material shortage. The swine farm is located in Nakhon Ratchasima Province.

## **2.2 Competitions**

### **2.2.1 Marketing Strategy Overview**

- The Company utilizes a multi-brand strategy in order to cover all range of consumers in all distribution channels. "S.Khonkaen" brand and other Company's fighting brands are well recognized in the marketplace and gain strong brand loyalty among the consumers. With this strategy, the Company has been able to sustain its market leadership in both traditional Thai foods and seafood balls market with approximately 80% market shares in the modern trade segment.
- The Company is committed to provide the quality products which are produced in accordance with the international standard. Certificates received are HACCP, GMP, ISO9200, and BRC.
- To sustain the cost leadership status by keep investing in technologies to maintain its competitive advantages.
- Distribution channels:
  - The modern trade (Hypermarkets, Supermarkets, and Convenience Stores) is still the major distribution channel of the Company's products. Traditional Thai foods and meat-base-snack are approximately 80% distributed via this channel.
  - Wet Market is also another important channel in distributing company's products. Approximately 50% of seafood balls are distributed via this channel.

- HoReCa market
- Zaap restaurants
- Establish a new sales team to aggressively penetrate the Traditional Trade market (TT market), where the Company still has small market shares. The strategy will leverage on its strong brand recognition and its cost leadership. This will enhance the Company's future growth, especially traditional Thai foods.

### ***2.2.2 Industry Overview and Competition Environment***

#### ***Traditional Thai Foods***

Traditional Thai foods had 5-8% growth during the past 2-3 years. Factors directly affecting the business are 1) the increase in the modern trade's retail spaces and 2) the economic conditions. It is estimated that the Company has 80% market shares in the modern trade channel, while the rest of 20% are shared among less than 10 small and medium producers. The Company is the price setter in this industry.

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

It is capital intensive to invest in the large scale factory to produce traditional Thai foods and it requires technical know-how which is a barrier to entry for the new rivals to enter into this business. High listing fee charged and high committed volume required by the modern trade operators is also barrier to entry for small and medium producers to enter into this segment.

#### ***Seafood Balls***

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

##### **1) Surimi base producer (only 3 major players)**

"Surimi" is a high quality fish paste which derived from the process of grinding and soaking out all blood, leaving only a high quality grounded fish. The products produced by this group are mostly

high value added products such as artificial crab meat (60% of all products produced), and the rest are Japanese style processed seafood, i.e. Mame Chikuwa, salmon sausages, fish tofu, fish balls, and other products more than 10 items. Their products approximately 60-80% are exported.

## **2) Fish Fillet Base Producer**

The fish balls are traditionally produced from fish fillet. The Company is the largest producer among this group. The Company has 80% market shares in the modern trade, while the rest of 20% are shared among 10 leading players.

It is estimated that the size of fish balls traded in wet market is approximately Baht 2 billion with approximately 25 producers competing in this market. The Company has approximately 19% market shares in this wet market segment.

Seafood balls market had 15% annual growth during the past 3 years (based on Company's historical growth). It is undeniable that changes in life style making people consume more RTE meals and instant noodle. Therefore, demand of fish balls is rising accordingly. Moreover, due to the labor shortage, noodle shops opt to buy seafood balls from the wet markets or HoReCa markets instead of producing by themselves.

## **3) Meat-Base-Snack**

The snack market size was estimated at approximately Baht 21 billion with 13% growth rate. All products are 55% distributed via the modern trade and 45% via TT market. Among all kinds of snack, the potato chip shares the highest portion of 35%, extruded snack 27%, seaweeds 10%, fish base snack 8%, nuts 7%, squid base snack 5% and shrimp crackers 8%.

The Company is the single producer of meat-base-snack, purely made from pork and chicken meat, under brand "Entrée" and "Mooch". The meat-base-snack category has a huge room to grow since its sales are very small comparing to other type of snacks.

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

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

RTE meals are estimated at Baht 4 billion size with 15-20% growth p.a. There are only 4 major players together commanding 72% market shares. Most of the products are mainly distributed via convenience stores and supermarkets.

RTH frozen foods products include frozen meats, frozen seafood, frozen bakery, frozen dessert, and frozen Dim Sum. The market size is estimated to be around Baht 7 billion. Products are mainly exported and distributed via HoReCa market (including Makro).

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

Pork meat is a major raw material, accounted for approximately 70% of the total raw material usage, for producing traditional Thai Foods, Meat-Base-Snack, and RTE and RTH foods. The Company procures pork meat from the reliable suppliers in the open market with their products are up to standards. Other materials, such as casing and pork skin (their values of less than 5% of the total raw material usage) are imported.

In 2013, 90% of raw fish were secured domestically from various sellers in the open market, while the rest of 10% were imported directly from various countries.

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

## 2.4 Production and Production Capacity

### *Processed Pork (Traditional Thai Foods)*

- Fresh products (Vietnamese Sausages, Fermented Sausages, Thai Sausages, and Pork Balls) has capacity of 10,000 tons p.a.( based on two eight-hour shifts)
- Dried products (Shredded Pork, Chinese Sausages, and Crispy Pork) has capacity of 1,100 tons p.a. ( based on two eight-hour shifts)

### *Processed Seafood (Seafood Balls)*

- 9,000 tons p.a. based on three eight-hour shifts. The capacity will increase to 14,300 tons p.a. at the beginning of 2<sup>nd</sup> quarter 2014.

### *Meat-Base-Snack*

- 900 tons p.a. (based on two eight-hour shifts)

### *RTE meals and RTH frozen foods*

- 4,400 tons p.a. (based on two eight-hour shifts)

## 2.5 Environment

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

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

### **3. Risk Factors**

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

Traditional Thai foods, snack, and RTE and RTH foods approximately 80% are distributed via the modern trade channel. If the Company's products would be refused to be sold in this channel, its revenues will be negatively affected. Nevertheless, the Company has established good relationship with them and the Company products are in high demand; therefore, the Company has bargaining power to some what extent. Furthermore, the Company is diversifying its distribution channel to TT market and this will also reduce the risk of dependence on modern trade.

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

Pork price volatility directly impact to the gross profit margin as it is the major raw material in many products of the company. Nevertheless, the company closely monitors the pork price and when the price is on the up-trend, the company will stock the pork meat for up to 3-6 months to lock up the cost. The company, as a price setter, is able to increase selling prices, to some extent, to cope with the increased cost. Furthermore, to have its own swine farm (as a hedging tool) is also to shelter the overall gross profit margin of the company not too much volatile.

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

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

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

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

### **3.5 Financial Risks**

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

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

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

The Rujirasopon family is a major shareholder of the Company with 56.35% shareholdings. This allows the Rujirasopon family to take management control as well as has influence on the resolution of the shareholders' meeting, whether it is the appointment of directors, or other matters that require a majority of votes from the shareholder's meeting. The Rujirasopon family cannot vote on any connected transactions. However, the Company's Board of Directors comprises of independent directors exceeds one-third of the total number of directors providing appropriate balance in decision making process of the Board and to be in accordance with the good corporate governance of the SET.

#### 4. Other Information

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

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

Business : Production and Distribution of traditional Thai food, meat-based snack, and RTE meals and RTH frozen foods

Company number : 0107537001811

Telephone : (02) 391-1010

Fax : (02) 391-1792

Website : <http://www.sorkon.co.th>

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

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

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

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

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

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

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

Telephone : (02) 391-1010

Fax : (02) 391-1792

Registered Capital : Baht 120 million with fully paid-up

% shareholdings: 99.68 %

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

Head Office Address :	259/13, 1 <sup>st</sup> Floor, Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), North Prakanong, Vadhana, Bangkok, 10110
Business :	Production of Seafood Balls
Telephone :	(02) 391-1010
Fax :	(02) 391-1792
Registered Capital	Baht 85 million with fully paid-up
% shareholdings :	99.33 %

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

Head Office Address :	44 Moo 2, Tambol Payayen, Amphoe Pakchong, Nakhon Ratchasima Province 30320
Business :	Swine farm
Telephone :	(02) 391-1010
Fax :	(02) 391-1792
Registered Capital	Baht 45 million with fully paid-up
% shareholdings :	100 %

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

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

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

Head Office Address :	Bulderweg 45, 1332 BA, Almere, The Netherland
Business :	To conduct wholesale business to market Company's products in EU countries and UK by contracting a manufacturer (an OEM) in Netherland to produce traditional Thai Foods products under its own S.Khonkaen brand.
Telephone :	+31 616485383
Registered Capital	Euro 100 with fully paid-up
% Shareholdings :	100 %

## **2.6 Thai Home Food Company Limited**

Head Office Address :	259/17, 2 <sup>nd</sup> Floor, Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), North Prakanong, Vadhana, Bangkok, 10110
Business :	To operate Food Courts
Telephone :	(02) 391-1010
Fax :	(02) 391-1792
% shareholdings :	13.33 %

## **(3) Other References**

### **3.1) Securities Registrar**

Name :	Thailand Securities Depository Co., Ltd.
Address :	62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand
Telephone :	(02) 229 2800
Fax :	(02) 359-1259

### 3.2) Auditors

Name: Ernst & Young Office Ltd.

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

Telephone: (02) 264-0777

Fax: (02) 264-0789

Auditors: 1. Mr. Sophon Permsirivallop (CPA no. 3182) and/or  
2. Miss Rungrapa Lertsuwankul (CPA no. 3516) and/or  
3. Miss Pimjai Manitkajohnkit (CPA no. 4521) and/or  
4. Mr. Chayapol Suppasertanon (CPA no. 3972)

### 3.3) Tax Consultant

Name: Tax Specialist Co.,Ltd

Address: 168/3 Soi Ladprao 71, Nakaniwas Road, District/Sub District Ladprao,  
Bangkok 10230

Telephone: (02) 514-4334

Fax: (02) 514-4424

### 3.4) Legal Advisor

Name: Sahakarn Law Office Co.,Ltd

Address: 16 Tesabalnimitr Nua Road, Soi 6 Ladyao, Jatuchak, Bangkok 10900

Telephone: (02) 954-3090-4

Fax: (02) 953-8225

## 5. Major Shareholders (as of November 28, 2013)

Major Shareholders	Number of Shares	%
<b>1. Rujirasopon Family</b>	<b>13,671,310</b>	<b>56.36</b>
<b>Mr. Charoen Rujirasopon</b>	7,414,058	30.57
<b>Mrs. Niramon Rujirasopon</b>	4,327,349	17.84
<b>Mr. Jarunpoj Rujirasopon</b>	950,367	3.92
<b>Mr. Songkiat Rujirasopon</b>	840,950	3.47
<b>Mr. Jaraspon Rujirasopon</b>	138,586	0.57
<b>2. Pichetawanitchoke Family</b>	<b>1,583,700</b>	<b>6.53</b>
<b>Mr. Tanathip Pichetawanitchoke</b>	732,800	3.02
<b>Mr. Suwit Pichetawanitchoke</b>	487,200	2.01
<b>Miss Winthinee Pichetawanitchoke</b>	320,200	1.32
<b>Mrs. Wipaporn Pichetawanitchoke</b>	43,500	0.18
<b>3. DBS BANK LTD - CLIENT A/C SG1100173011</b>	942,500	3.89
<b>4. Mr. Ayut Charnsettikul</b>	820,874	3.38
<b>5. Thai NVDR Co., Ltd.</b>	558,840	2.30
<b>6. Provident fund of employee of Electricity Generating Authority of Thailand by UOB Assets Management (Thailand)</b>	487,500	2.01
<b>7. NIPPON PACK (THAILAND) PUBLIC COMPANY LIMITED</b>	443,900	1.83
<b>8. Mr. Satit Viddayakorn</b>	441,700	1.82
<b>9. Miss Aurapan Assamongkol</b>	440,942	1.82
<b>10. Mr. Suchon Simakulthorn</b>	292,700	1.21
<b>Total</b>	<b>19,683,966</b>	<b>81.15</b>

## 6. Dividends Policy

The Company has policy to pay dividends of 50% of net profit. The payment of dividends is subject to investment plans and other obligations as deem appropriate and also subject to the availability of Company's cash flow.

## 7. Management Structure

### 7.1 Board of Directors

As of December 31, 2013, the Board of Directors consisted of 9 directors, of which 4 directors were independent directors. The proportion of independent directors (4 out of 9) exceeded one-third, which is in compliance with the SEC's requirement.

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

### **Roles and Responsibilities of the Board**

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

The Board of Directors meetings are scheduled to be held at least once every quarter. The special meeting(s) may be called when it deems necessary. In 2013, there were 6 meetings:

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

## 7.2 Executives

As of December 31, 2013, the management team consisted of 12 members as follows:

Name	Position	Referent Number
<b>1. Mr. Charoen Rujirasopon</b>	-Chief Executive Officer,	(1)
	-Acting Human Resources and	(4)
	Administrative Director	
<b>2. Mrs. Niramol Rujirasopon</b>	-Deputy Chief Executive Officer,	(2)
	-Acting Marketing Director	(11)
	(Marketing 2, Frozen Foods),	
	(Marketing 3, traditional Thai Foods),	
<b>3. Mr. Jaraspon Rujirasopon</b>	(Marketing 4, Processed Seafood )	
	- Assistant Deputy Chief Executive Officer	(9)

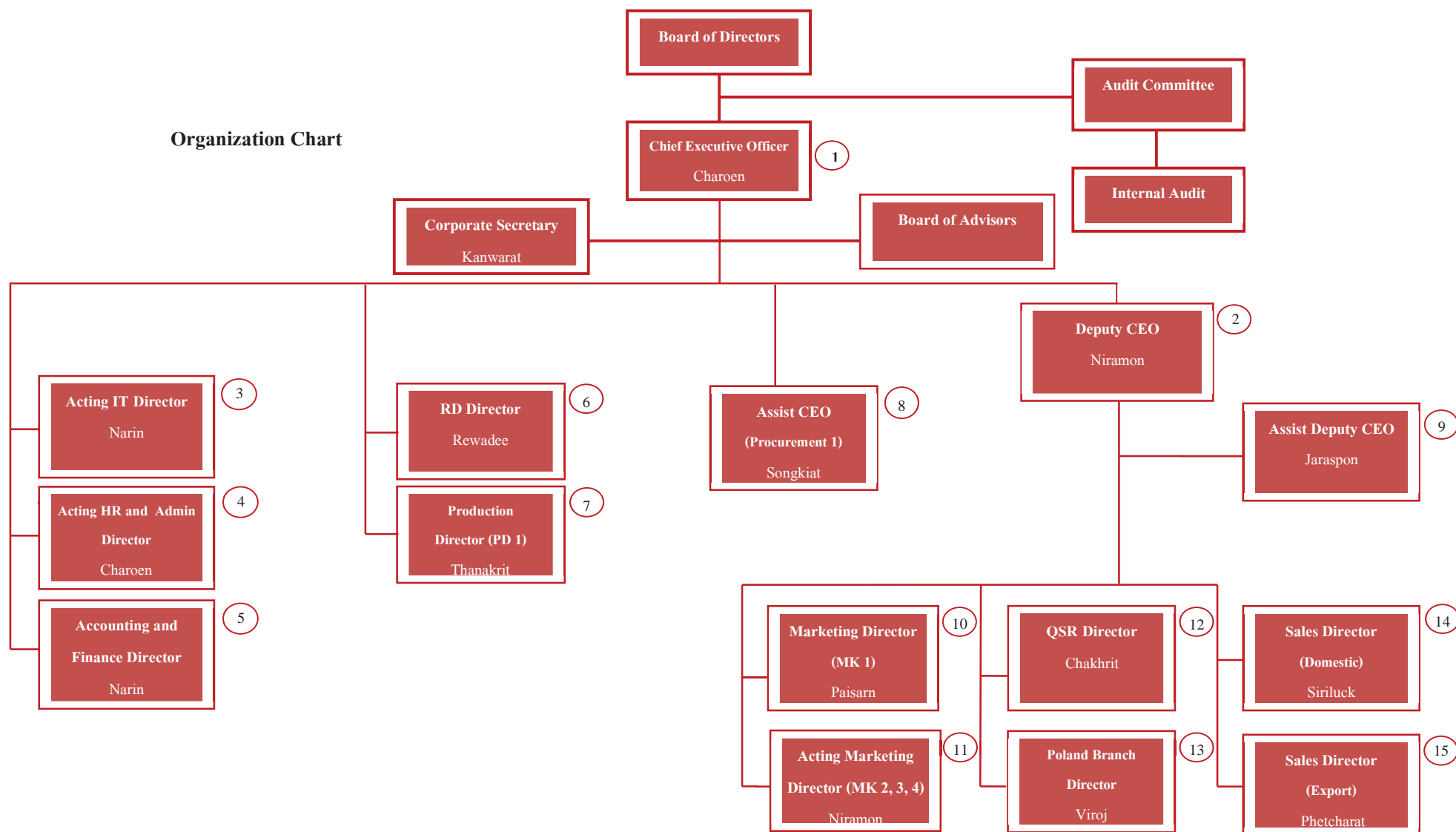
Name	Position	Referent Number
<b>4. Mr. Songkiat Rujirasopon</b>	-Assistant Chief Executive Officer (Procurement 1)	8
<b>5. Mr. Thanakrit Rujirasopon</b>	- Production Director 1	7
<b>6. Mr. Narin Phumviwattanasirikul</b>	- Accounting and Finance Director - Acting Information Technology Director	5 3
<b>7. Mr. Chakhrith Anusapa</b>	- Quick – Service Restaurant Director	12
<b>8. Mrs. Phetcharat Ratvongsopa</b>	- Sales Director (Export)	15
<b>9. Mrs. Sirilak Chaiwatanaprapa</b>	-Sales Director (Domestic)	14
<b>10. Mr. Paisarn Sopajitwattana</b>	- Marketing Director (Marketing1, Meat - Based – Snacks)	10
<b>11. Miss Rewadee Janyapoon</b>	- Research and Development Director	6
<b>12. Mr. Viroj Jiwatthayakul</b>	- Poland Branch Director	13

#### Change in Management Position after December 31, 2013

After 31 December 2013 or before submitted Annual Report, there were some changes in company's management as follow:

1. Mrs. Thanyapat Ruangcharus as Human Resources and Administrative Director, to replace Mr. Charoen Rujirasopon, since 2 January 2014
2. Mr. Jaraspon Rujirasopon has been promoted from Assistant Deputy CEO to be Assistant CEO (Operation Functions) since 1 March, 2014 and the Assistant Deputy CEO Position was cancelled.

## Organization Chart



No.1-15 are SORKON's top management by SEC's Definition.

## **Details of Directors and Executives**

**Mr. Somchai Sakulsurarat, Age 65**

**Chairman of the Board of Directors**

**Independent Director**

### **Education and Training**

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

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

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

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

2010 – Present	Deputy Chairman of the Board of Directors	Sahaviriya Steel Industries Plc.
2010 – Present	Independent Director	S.Khonkaen Foods Plc.
2009 - Present	Chairman of Audit Committee and Independent Director	Globlex Holding Management Plc
2004 - Present	Chairman of the Board of Directors	Chumporn Palm Oil Industry Plc.
2004 - Present	Chairman of the Board of Directors	Thai Agro Exchange Plc.
2003 - Present	Chairman of the Board of Directors	S.Khonkaen Foods Plc
2006 - 2008	Member of The National Legislative Assembly, Thailand	

**Mr. Charoen Rujirasopon, Age 66**

**Chief Executive Officer**

**Chairman of the Board of Executive Directors**

**Acting Human Resources and Administrative Service Director**

**Education and Training**

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

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

**Relationship with Company's Executive (s) –** Mrs. Niramorn's spouse, Mr. Jaraspon's father, Mr. Songkiet's brother, Mr. Thanakrit's uncle

**Experiences over the Past 5 Years**

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

**Mrs. Niramon Rujirasopon, Age 62**

**Director**

**Deputy Chief Executive Officer**

**Acting Marketing Director (Marketing 2- Frozen Foods, Marketing 3-Traditional Thai Foods, and Marketing 4 – Processed Seafood)**

**Education and Training**

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

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

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

**Experiences over the Past 5 Years**

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

**Mr. Jaraspon Rujirasopon, Age 31**

**Director**

**Assistant Deputy Chief Executive Officer**

**Education and Training**

**M.B.A. (Marketing),** Aston University, Birmingham, UK

Bachelor of Arts in Communication Management, Chulalongkorn University

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

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

**Experiences over the Past 5 Years**

2013– 2014	Assistant Deputy Chief Executive Officer	S. Khonkaen Foods Plc.
2008 – Present	Director	S. Khonkaen Foods Plc.
2012	Quick Service Restaurant Director	S. Khonkaen Foods Plc.
2011	Foods & Beverage Director	S. Khonkaen Foods Plc.
2011	Acting Quick Service Restaurant Director	S. Khonkaen Foods Plc.
2011	Senior Manager (Marketing 4 – Frozen Food)	S. Khonkaen Foods Plc.
2011	Acting Marketing Director (Marketing 1 – Snack)	S. Khonkaen Foods Plc.
2009 – 2011	General Manager (Marketing 3 – Snack)	S. Khonkaen Foods Plc.
2009 – 2011	General Manager – Poland Project	S. Khonkaen Foods Plc.
2009	General Manager (Marketing 3 – Snack and Ready-To-Eat meals)	S. Khonkaen Foods Plc.
2008	General Manager – Poland Branch	S. Khonkaen Foods Plc.
2008	Acting General Manager – Poland Branch	S. Khonkaen Foods Plc.
2007 – 2008	Senior Manager – Marketing Administration	S. Khonkaen Foods Plc.

**Mr. Thanakrit Rujirasopon, Age 47**

**Director**

**Production Director 1**

**Education and Training**

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

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

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

Jaraspon's first cousin

**Experiences over the Past 5 Years**

2002 – Present	Director	S. Khonkaen Foods Plc.
2002 – Present	Production Director 1	S. Khonkaen Foods Plc

**Ms. Panchama Vipamas, Age 62**

**Director**

**Education and Training**

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

**Percentage of Shareholding (%) – 0.05%**

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

**Experiences over the Past 5 Years**

2013 – Present	Group Finance Director, Carabao Tawandaeng Group	Carabao Tawandaeng Co.,Ltd Tawandaeng DCM Co.,Ltd Asia Pacific Glass Co.,Ltd Carabao Group Co.,Ltd.
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2009 – Present	Director	S. Khonkaen Foods Plc.
2007 to Present	Director	Carabao Tawandaeng Co.,Ltd
2003-2013	Accounting and finance Director	Carabao Tawandaeng Co.,Ltd
1994-2008	Director	S. Khonkaen Foods Plc.

**Mr. Charoenphan Phantumongkol, Age 82**

**Independent Director and Chief of Audit Committee**

**Education and Training**

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

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

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

**Experiences over the Past 5 Years**

2000 – Present	Independent Director and Audit Committee	S.Khonkaen Foods Co.,Ltd.
1998-2008	Consultant – Accounting and Finance	Amtel Group Bangkok Co.,Ltd
1998-2008	Managing Director	Ch Samphan Karn Banchee Co.,ltd

**Mr. Prasarn Marukpitak, Age 65**

**Independent Director and Audit Committee Member**

**Education and Training**

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

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

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

**Experiences over the Past 5 Years**

2012 – Present	Senator: Professional Sector	
2011 - 2012	Advisor to Ms. Supinya Klangnarong (NBTC – Director)	
2008 - 2010	Senator: Academic Sector	
2007 - 2008	Director	Government Pharmaceutical Organization
1999 - Present	Audit Committee	S. Khonkaen Foods Plc.
1994 – Present	Independent Director	S. Khonkaen Foods Plc.
1988 - ปัจจุบัน	Chairman	Chewit Thurakit Co.,Ltd.

**Mr. Chusak Vijakkhana, Age 63****Independent Director and Audit Committee Member****Education and Training**

- Bachelor of Laws (Hon.), Thammasat University

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

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

**Experiences over the Past 5 Years**

2010 – Present	Independent Director	S. Khonkaen Foods Plc.
2004 – Present	Director and Independent Director	S. Khonkaen Foods Plc.
2000 - Present	Managing Director	P.S.D. & Associates Co.,Ltd.
2000 - Present	Director	Mahachai Hospital

**Mr. Songkiat Rujirasopon, Age 57****Assistant Chief Executive Officer (Procurement 1)****Education and Training**

- Bachelor of Laws, Chulalongkorn University

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

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

**Experiences over the Past 5 Years**

1984 – Present	Assistant Chief Executive Officer (Procurement 1)	S. Khonkaen Foods Plc.
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**Mr. Narin Phumviwattanasirikul, Age 52**

**Chief Finance Officer**

**Education and Training**

- M.B.A. (Finance) – Indiana University of Pennsylvania, USA
- Bachelor of Business Administration (Industrial Management), Thammasat University

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

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

**Experiences over the Past 5 Years**

2013 – Present	Chief Finance Officer	S.Khonkaen Foods Plc.
2013 – Present	Acting Information Technology Director	S.Khonkaen Foods Plc.
2011 - Present	Part Time Lecturer for MBA Program – Bangkok University	
2010 - 2012	Director	P Planner Co.,Ltd.
2006 - 2010	Assistant Managing Director (Finance & Business Development)	The Regent Group
2004 - 2006	Assistant Managing Director (Investment Banking)	Kiatnakin Securities Co.,Ltd.
1998 - 2004	Representative	West LB
1994 - 1998	Vice President (Investment Banking)	Union Asia Finance Plc.

**Chakhrat Anusapa, Age 41**

**QSR Director**

**Education and Training**

- Master of Science (Applied Management), National Institute of Development Administration
- Bachelor of Business Administration (Marketing), University of The Thai Chamber of Commerce

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

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

**Experiences over the Past 5 Years**

2013 – Present	QSR Director	S.Khonkaen Foods Plc.
2011 - 2013	Operation Director	Major Cineplex Group Plc.
2010 - 2011	Operation Manager	Major Cineplex Group Plc.
2008 - 2010	Business Consultant	McThai Co.,Ltd

**Mrs. Petcharat Ratvongsopa, Age 54**

**Sales Director (Export)**

**Education and Training**

- Vocational Certificate, Assumption Commercial College

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

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

**Experiences over the Past 5 Years**

2011 – Present	Sales Director (Export)	S.Khonkaen Foods Plc.
2008 - 2011	Sales Director (Export 1)	S.Khonkaen Foods Plc.
2004 - 2008	Senior General Manager – Export Sales	S.Khonkaen Foods Plc.

**Mrs. Sirilak Chaiwatanaprapa, Age 52**

**Sales Director (Domestic)**

**Education and Training**

- Bachelor of Business Administration, Ramkhamhaeng University

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

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

**Experiences over the Past 5 Years**

2008 – Present	Sales Director (Domestic)	S.Khonkaen Foods Plc.
2005 - 2008	Senior General Manager – Domestic Sales	S.Khonkaen Foods Plc.

**Mr. Paisarn Sopajitwattana, Age 53**

**Marketing Director – Snack**

**Education and Training**

- Bachelor of Science, Mahidol University
- Master Degree of Marketing (c-MIM), Thammasat and Gothenburg University (English Program)
- M.B.A. (Management), Chulalongkorn University

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

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

**Experiences over the Past 5 Years**

2011 - Present	Marketing Director – Snack	S.Khonkaen Foods Plc.
2007 - 2011	Business Development Director	Bio-Innova and Synchron Co.,Ltd.

**Mr. Viroj Jiwatthayakul, Age 52**

**Poland Branch Director**

**Education and Training**

- Master of Economics, National Institute of Development Administration
- Bachelor of Science (Food Science and Technology), Chulalongkorn University
- Bachelor of Economics, Ramkhamhaeng University

2011 – Present	Poland Branch Director	S. Khonkaen Foods Plc.
2010 - 2011	Senior General Manager – Poland Production	S. Khonkaen Foods Plc.
2008 - 2010	Factor Manager	Technifood International Co.,Ltd.

**Mrs. Thanyapat Ruangcharus, Age 46,**

**Human Resources and Administrative Director**

**Education and Training**

- Master of Science (Human Resource and Organization Development), National Institute of Development Administration
- Master of Arts, Chulalongkorn University.
- B.S. (Industrial and Organizational Psychology), Ramkhamhaeng University.
- Bachelor of Public Administration (Major Public Administration), Sukhothai Thammathirat University.

2014 - Present	Human Resources & Administrative Office Director	S.Khonkaen Foods Plc.
2009 - 2013	Human Resources Director	Grand Prix International Co.,ltd

**Ms. Kanwarat Vithitamataya, Age 60**

**Corporate Secretary**

**Education and Training**

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

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

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

**Experiences over the Past 5 Years**

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

### 7.3 Corporate Secretary

The Board of Directors has had a resolution to appoint Ms.Kanwarat Vithitamataya to be a corporate secretary since 13 August, 2008.

### 7.4 Monetary Remuneration

#### a. Remuneration of Directors

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

Name	Position	Fee (Baht)
1. Mr. Somchai Sakulsurarat	Chairman of the Board of Directors (Independent Director)	355,860
2. Mrs. Jarunpoj Rujirasopon	Director	92,340
3. Mr. Jaraspon Rujirasopon	Director	92,340
4. Mr. Thanakrit Rujirasopon	Director	79,700
5. Miss Panchama Vipamas	Director	220,110
6. Mr. Charoenphan Phantumongkol	Independent Director and Chief of Audit Committee	329,400
7. Mr. Prasarn Marukpitak	Independent Director and Audit Committee Member	260,110
8. Mr. Chusak Vijakkhana	Independent Director and Audit Committee Member	260,110

The total remuneration of 8 directors in 2013 was equal to Baht 1,689,970.

**Note:**

The company pays the remuneration to directors based on the performance of the prior year. Mr. Charoen Rujirasopon was not entitled to receive the remuneration in 2013 since he was appointed as a director in the late 2012.

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

In 2012, the Company paid remuneration, in term of salary and bonus, to the 13 executives in the amount of Baht 28,638,605 in total.

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

The company has not yet established the provident fund.

## **7.5 Human Resources**

As of December 31, 2013, the company and its subsidiaries totally had 1,559 employees. The total remuneration of Baht 357.3 million were paid to employees in term of salary, overtime, bonus, social security, and other fringe benefits. Number of employees classified by departments and their remunerations are illustrated in the table below:

<b>YEAR2014</b>	<b>Operation Staff (Person)</b>	<b>Management (Person)</b>	<b>Total (Person)</b>	<b>Employee's Benefit (Million Baht)</b>
<b>S. Khon Kaen Foods Public Company Limited</b>	<b>903</b>	<b>60</b>	<b>963</b>	<b>241.00</b>
-President's Office Function	8	4	12	
-Accounting and Finance Function	38	8	46	
-Human Resources and Administrative Function	45	2	47	
-Marketing Function	151	26	177	
-Production Department	583	12	595	
-Research and Development Department	65	5	70	
-Procurement Department	9	2	11	
-Information Technology Department	4	1	5	

YEAR2014	Operation Staff (Person)	Management (Person)	Total (Person)	Employee's Benefit (Million Baht)
S. Pasusat Company Limited	70	3	73	12.19
Mahachai Food Processing Company Limited	472	7	479	89.20
S.K.K. Food Company Limited	37	7	44	15.04
<b>Total</b>	<b>1,482</b>	<b>77</b>	<b>1,559</b>	<b>357.43</b>

Note:

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

### Human Resource Development

In 2013, the company continuously provided adequate training courses to employees. Major training courses provided in 2013 are summarized below:

Course	
<b>1. Fundamental</b>	- Orientation
	- Labor legislation knowledge
<b>2. Quality Compliance</b>	- GMP & HACCP
	-CCP compliance
	-Internal audit
	- BRC compliance (issue 6)
	-ISO 9001:2008compliance
	- ISO9001/GMP/HACCP/BRC standard for internal audit
	- HALAL compliance
<b>3. Safety</b>	-Safety role
	-First aid
	-Safety for work
	-Fire fighting and emergency evacuation training

Course	
	- Risk and hazard assessment
	-Safety for chemicals usage
	-Emergency team rehearsal
	-Safety for cleaning by chemicals
<b>4. Management</b>	-Positive thinking for potential development
	-Leadership and manager role
	-Leadership and positive thinking
	-Organization awareness
	-Communication and cooperation for efficiency
	-Motivation and responsibility build up
<b>5. Productivity</b>	- Kaizen
	- 5S.
	-QC STORY
	-QC STORY ADVANCE
<b>6. Others</b>	-Goal Setting and Performance Management
	-Operation Critical Success Factors
	-Retail Business Model
	-Strategy Development Proposal
	-Team Building Zaap, SOHO
	-Value Marketing for Success
	-Accounting standard and standard financial report issue from practice
	-Summary of new accounting standard changing
	- Cleaning Technology for Food Safety
	-PET control
	-How to use metal detector instrument and CCP concept
	-Efficient industrial food sampling system development
	-Factory diagram design
	-Production management innovation project

## **8. Corporate Governance**

### **8.1 Good Corporate Governance Policy**

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

In 2012, The Stock Exchange of Thailand (SET) revised "The Principles of Good Corporate Governance for Listed Companies". Therefore, the Board of Directors had a resolution assigning the Audit Committee and executives together to establish in writing the policy for good corporate governance to be in accordance with this revision of SET's Principles of Good Corporate Governance for Listed Companies.

The Company's good corporate governance policies were in line with the SET's Principles of Good Corporate Governance for Listed Companies, both 2006 and 2012 version, as summarized as follows:

#### **Chapter 1: The Right of Shareholders**

The Board of Directors has established the policy for good corporate governance that gives importance to the fundamental rights of the shareholders consisting of:

- The right to buy and sell or transfer shares, the right to equally receive the profit sharing, the right to receive adequate information on the Company, and the right to participate in the shareholders' meetings
- The right to express an opinion and to vote on important issues, i.e. election or removal of the Board's members, the setting of directors' remuneration, the external auditor appointment and its audit fee
- The right to approve transactions that affect the Company's business, such as dividend payment, the amendment of the Company's Memorandum of Association and Articles of Association, etc.

In 2013, the Company implemented many events as part of the promotion of the shareholders' rights as follows:

- 1) The shareholders' meeting held on 29 April, 2013, all 9 directors and most of executives as well as the external auditors were presented at the meeting.
- 2) The Company sent an invitation notice together with all relevant supporting information for various agendas with adequate comments from the Board of Directors to the shareholders not less than 14 days prior to the meeting date. The Company also announced the meeting date in the newspapers for 3 consecutive days prior to the meeting date. The Company up-loaded the notice and supporting information onto Company's website 34 days before the meeting date so as to allow the shareholders time to review the information.
- 3) In case of the shareholders are unable to attend the meeting, the Company provides an opportunity for the shareholders to give proxy to an independent director or any other person to attend on their behalf by using any one of the two proxy forms (of Department of Business Development) that the Company provided together with the invitation notice.
- 4) The company prepared the minutes of the meeting submitted to the SET within 14 days.
- 5) To make shareholders more convenient to attend the shareholders' meeting, The Company chose The Grand Hyatt Erawan hotel as the venue for the meeting since it is located at the heart of the town with sky-train passing by.

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

The Board of Directors should ensure that all fundamental shareholders rights are protected and they are treated equitably. The Board set the procedure to prevent the directors, management and employees from using inside information for abusive self-dealing, such as insider trading, as well as the disclosure of information by the directors and management regarding their interests and those of their related persons.

The Company has advised the directors and executives of their duty to report on their shareholdings in the Company and the punishment terms as stipulated in the Securities and Exchange Act B.E. 2535 (1992). When the director or executive acquires or divests the Company's securities, they must report their securities holding (and the holdings of their spouses and minor children of the securities of the Company) within 3 working days after the transaction date to the Securities and Exchange Commission for further dissemination to the public. The Company also requires the directors to report their securities holding at every Board of Directors' meeting.

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

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

#### **Shareholders**

Prudentially manage the Company with integrity and transparency for the benefit of the shareholders. Cautiously and carefully manage the Company in order to protect shareholders' investments and refrain from using inside information for insider trading. Avoid not to have any conflicts of interests with the Company, as well as not to disclose any Company's confidential information to outsiders.

#### **Customers**

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

#### **Trade Partners and Creditors**

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

#### **Competitors**

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

#### **Employees**

The Company treats all employees equally. Remuneration policy is based on the principles of fairness, which takes the job description, responsibilities and competency of each employee into consideration, and

it is comparable with other companies within the same industry. The Company also continuously provides development programs to employees to develop their skills and abilities.

The Company provides employees an adequate welfare, i.e. social security fund, uniforms, annual health check-up, housing loan (co-operation with Government Housing Bank), in-house clinic, shuttle bus service, and other financial aids for employees.

The Company provides employees a safety work place environment which is in accordance with the laws and international standards. Continuously provide employees knowledge and training on safety and the work environment.

The Company prohibits employees from violation of the intellectual property rights of others, regardless of domestic or foreign intellectual property. Pirated software are definitely not allowed to be used in the Company.

### **Society**

The Company is committed to involve in any activities that are beneficial to the communities and society as a whole. Refrain from any activities that may damage the natural resources or will pollute the environment. To ensure the Company's operations are in accordance with relevant laws and regulations. Build awareness among employees to create a harmonious society, develop virtue and morality, preserve good traditions, and instill a strong sense of social responsibility.

### **Chapter 4: Disclosure and Transparency**

The Board of Directors emphasizes on the accuracy, completeness, and transparency of both financial and non-financial information disclosure. Company publishes its information to the shareholders, investors and general public via the various channels of the SET and the Company's website both in Thai and English.

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

Chief Executive Officer (CEO) is the person who disseminates information to investors and general public via his interview with press. The Company has not yet established the Investor Relationship (IR) Department to specifically handle investor relations. The Company assigns the Chief Financial Officer to perform this function to communicate with institutional and retail investors and analysts.

In 2013, the Company joined Opportunity Day (arranged by SET for listed companies to meet investors every quarter) for 3 occasions. To join “Thai Investor Forum - Hong Kong” arranged by Phatra Securities during 22-23 January, and also joined “Thailand Focus 2013” arranged by The Stock Exchange of Thailand, Bank of America Merrill Lynch and Phatra Securities in August. The Company also had company visit by analysts and by institutional investors (both foreign and domestic) once a month on the average.

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

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

The Company’s Board of Directors comprises of independent directors exceeds one-third of the total number of directors providing appropriate balance in decision making process of the Board. As of December 31, 2013, the Company had 9 directors comprised of 5 executive directors and 4 independent directors. This Board structure is in accordance with the SEC’s regulation.

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

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

The major role of the Board of Directors is to consider and approve significant issues related to the Company's operations, including corporate policies and business plans, risks, and budgets, and the supervision of the management to adhere to the approved policies.

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

The Board of Directors had a resolution (by assigning Audit Committee and management) to prepare in writing the Company's corporate governance policy in accordance with the SET's Principles of Good Corporate Governance for Listed, 2012 revision version to ensure the management system's effectiveness, transparency and accountability in order to promote confidence of all stakeholders. The CG policy should be regularly reviewed every year so as to ensure that the policy is up-to-date in accordance with the changes in circumstances.

### ***Business Ethics***

The Board of Directors also had a resolution (by assigning Audit Committee and management) to prepare in writing the Company's code of conduct for the management and employees to use as a guideline in conducting a business correctly and fairly to all stakeholders.

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

The Board of Directors has a clear policy in dealing with potential conflict of interest. The principle is that any decision regarding business operation must maximize the Company's benefit. Any conflict of interest should be avoided. Any persons who relate or connect to the transactions under consideration must inform the Company of such relation or connection and shall not involve in considering and cannot vote/approve such transactions. Audit Committee has to report the Board of Directors all connected transactions and transactions with conflict of interest incurred in the Company, and also provides the board with careful consideration of their appropriateness and compliance with the regulations of the Stock of Exchange of Thailand. Details of these transactions will also be disclosed in the annual registration statement (form 56-1).

### ***Internal Control***

(See details in Section 10 - Internal Control and Risk Management)

### ***Risk Management***

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

The Company is in a process of setting up Risk Management Committee. The Board assigned the Chief Finance Officer to be responsible for the overall risk management to be in accordance with policy given by the Board.

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

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

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

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

The Chairman and the Chief Executive Officer jointly consider agendas for the meeting and also allows directors to propose additional agendas to be included in a meeting. The Chairman of the Board, acting as the Chairman of the Meeting, allows directors to express their opinions freely in considering any agendas. Executives, occasionally, may be invited to attend the meeting to clarify information to the Board, as well as executives will directly receive advices or policy from directors to improve their efficiencies. To pass the resolution is required majority votes, one director eligible for one vote. Any directors who have conflict of interest in any issue will not consider and will not exercise their voting rights on that issue. In the case of an equal number of votes, the Chairman of the Meeting shall cast the deciding vote.

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

#### **4. Remuneration**

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

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

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

### **8.2 Committees**

The Board of Directors has appointed an Audit Committee. As at December 31, 2013, the Audit Committee comprised of 3 members:

1. Mr. Charoenphan Phanthumongkol	Chairman of the Audit Committee
2. Mr. Prasarn Marukpitak	Member of the Audit Committee
3. Mr. Chusak Vichakhana	Member of the Audit Committee

Mr. Charoenphan Phanthumongkol, Chairman of the Audit Committee, has 48 years experiences in reviewing and auditing financial statements, and he has reviewed the Company's financial statements for 12 years.

### **Term of the Audit Committee**

The term of office of the Chairman and members of the Audit Committee is 2 years. A retiring committee member is eligible for re-appointment. In the event of the resignation of any member of the Audit Committee prior to the expiration of their term, the appointed replacement shall hold office only for the remainder of the term of the replaced member.

### **Scope of Duties and Responsibilities of the Audit Committee**

The Audit Committee has duties and responsibilities as follows:

- 1) Review the Company's financial reporting process to ensure its accuracy and adequacy.
- 2) Review the internal control system to ensure that the Company provides appropriate, adequate, and efficient internal control system.
- 3) Review the Company's compliance with the SEC's and SET's rules and regulations and other relevant laws.
- 4) Nominate the Company's external auditor and its remuneration to the Board of Directors for further shareholders' approval.
- 5) Consider and put recommendation on any connected transactions or transactions with potential conflict of interest presented to the Board of Directors and/or the Company's shareholders' meeting.
- 6) Prepare Audit Committee's report to be disclosed in the Company's annual report with the following information:
  - 1) Audit Committee will provide its opinion on the followings:
    - Accuracy, creditability, and completeness of the Company's financial report.
    - Adequacy of the Company's internal control system.
    - Compliance with the SEC's and SET's rules and regulations and other relevant laws.
    - Appropriateness of the external auditor.
    - Transactions with potential conflicts of interests.
    - Any observations in general received by the audit committee through the performance of its duties.
  - 2) The number of the audit committee meetings, and the number of attendance made by each member.

- 3) Other activities/assignments within the scope of its duties and responsibilities assigned by the Board of Directors.

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

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

##### **Qualifications:**

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

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

Independent Directors comprised 4 directors as follow:

- |                                   |   |
|-----------------------------------|---|
| 1. Mr. Somchai Sakulsurarat       | Chairman of the Board of Directors and Independent Director |
| 2. Mr. Charoenphan Phanthumongkol | Chairman of the Audit Committee and Independent Director    |
| 3. Mr. Prasarn Marukpitak         | Audit Committee Member and Independent Director             |
| 4. Mr. Chusak Vichakhana          | Audit Committee Member and Independent Director             |

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

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

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

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

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

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

### **2.2 Selection of Executives**

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

#### **8.4 Subsidiaries and Affiliates**

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

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

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

#### **8.5 Inside Information**

The Board set the procedure for inside information as follows:

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

## 8.6 Audit Fees and Remuneration

### Audit Fee

In 2013, the audit fees charged by the Company's auditor, Ernts & Young Office Limited, are as follows:

- Baht 1.14 million audit fee incurred by the Company.
- Baht 1.40 million incurred by 3 subsidiaries.

### Non-Audit Fees

In 2013, the Company and its subsidiaries had no other fees reimbursed to Ernts & Young Office Limited, and had no fee in relation to incomplete work to be paid in the future.

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

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

### The Environment

The Company gives importance to the prevention of pollution from its manufacturing process and to improve work environment to consume or to utilize natural resources more efficient. The Company has undertaken various actions, such as:

#### 1. Establishment of Energy Conservation Committee

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

- 1.1) Energy Conservation Policy is part of the corporate policy to ensure that the Company has a proper energy management system which in accordance with any relevant laws and regulations.
- 1.2) To apply the best practice for energy usage in Food Industry into the Company's production process to ensure that the energy is the most efficiently consumed.
- 1.3) To establish specific, measurable, and realistic energy conservation plan and to communicate to all level of employees to operate their works accordingly.

- 1.4) It is responsibility of management and all level of employees to adhere to the established plan and to monitor, control, and report to the committee.
- 1.5) Budget should be adequately allocated to support the implementation of the energy conservation plan through various activities and the involvement of all employees.
- 1.6) Management together with the committee will annually revise and improve the energy conservation plan.
2. Organize activities which encourage the involvement of all employees to improve their work process in order to reduce the usage of all resources through 5s, QC Story, and Kaizen.
3. Continuously provide employees knowledge and training on safety and the work environment.

### **Education**

1. The Company provides the cooperative education program with various educational institutions to provide student internships.
2. The Company regularly supports activities held by schools in various communities surrounding the company's factories.
3. The Company donated foods as part of lunch meal project provided to students in Rayong Primary Education Office Area 1.
4. The Company had donated scholarships for students in Sakon Nakhon via Folk College Foundation.

### **Volunteer Spirit**

1. Sponsoring and joining the children day festival at Choom-chon Bon Kai.
2. Hosting lunch for children at Rajvithi Home for Girls.
3. Donating foods to the Department of Juvenile Observation and Protection.
4. Supporting various forest plantation projects, i.e. Reforestation held by State Railway of Thailand and Reforestation in Honor of The King held by Wat Phasi Charoen.

### **Anti-corruption**

The Board of Directors has a resolution to declare the Company's intent to participate in the Private Sector Collective Action Against Corruption ("CAC") with the Thai Institute of Directors ("IOD") as a project secretary. The Board assigned management to sign the declaration of intent to join the CAC and make an announcement this declaration to all employees.

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

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

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

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

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

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

In 2013, the Audit Committee held 4 meetings and all 3 members, Mr. Charoenphan Phanthumongko (Chairman of the Audit Committee), Mr. Prasarn Marukpitak (Member of the Audit Committee), and Mr. Chusak Vichakhana (Member of the Audit Committee), attended all 4 meetings.

### **10.3 Head of Internal Audit**

The Audit Committee's meeting number 4/2556 held on 8 November, 2013 had a resolution to appoint Ms. Sasitorn Toonmee to be a Head of Internal Audit of the Company. Ms. Sasitorn completed her master degree in accounting from Rajmangala University of Technology and has had direct experiences in internal audit field for 5 years and has full understanding on the Company's business activities. The Audit Committee had opinion that Ms. Sasitorn is qualified to perform as the Head of Internal Audit.

## 11. Related Transactions

The related transactions between the “Company and its subsidiaries” and “directors and major shareholders” in 2013 as follows:

Related Persons	Relationship	Type of Transactions	Value of Related Transaction (Year 2013)
1. Mr. Charoen Rujirasopon	Major shareholder and management.	One subsidiary leased land with 368 rais 72 square wah located at 44 Moo 2, Tambol Payayen, Amphoe Pakchong , Nakhon Ratchasima Province.	Baht 441,816

### Necessity and Suitability of the Related Transaction

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

### Related Transaction Policy

The Company set a clear policy in dealing with the related transaction with outsiders or any related parties with potential conflict of interest. The principle is that any decisions are based on the maximization of Company's benefits. Any related transactions must be reviewed by the Audit Committee to ensure that these transactions do not have any conflict of interest. The Committee may appoint an appraiser(s) or financial advisor(s) to give their opinions on the fair value of the transactions for the comparison basis and then propose to the Board of Directors for its further consideration.

## 12. Summary of Financial Information of the Company

### Consolidated financial statements

Statement of financial position	As at					
	31 Dec 2013		31 Dec 2012 (Adjusted)		31 Dec 2011	
	THB in Million	%	THB in Million	%	THB in Million	%
Cash and cash equivalents	27.14	2.1	30.20	2.4	10.21	1.0
Trade and other receivables	297.27	22.7	295.64	23.5	284.30	24.0
Inventories	167.52	12.8	160.55	12.8	161.23	14.0
Other current assets	10.88	0.8	9.95	0.8	11.59	1.0
<b>Total current assets</b>	<b>502.80</b>	<b>38.4</b>	<b>496.34</b>	<b>39.5</b>	<b>467.33</b>	<b>40.0</b>
Breeding stocks	7.65	0.6	7.99	0.6	7.41	1.0
Property, plant and equipment	435.73	33.3	388.63	30.9	347.27	30.0
Investment properties	332.09	25.4	332.09	26.4	332.09	28.0
Other non-current assets	29.81	2.3	32.02	2.5	21.69	2.0
<b>Total assets</b>	<b>1,308.09</b>	<b>100.0</b>	<b>1,257.07</b>	<b>100.0</b>	<b>1,176.96</b>	<b>100.0</b>
Bank overdrafts and short-term loans	325.33	24.9	316.39	25.2	524.50	45.0
Trade and other payables	182.72	14.0	181.97	14.5	126.92	11.0
Current portion of long-term loans	34.22	2.6	33.51	2.7	17.90	2.0
Other current liabilities	24.39	1.9	34.35	2.7	87.16	7.0
<b>Total current liabilities</b>	<b>566.65</b>	<b>43.3</b>	<b>566.22</b>	<b>45.0</b>	<b>756.48</b>	<b>64.0</b>
Total non-current liabilities	93.15	7.1	78.25	6.2	50.24	4.0
Provision for long-term employee benefits	36.07	2.8	32.90	2.6	33.79	3.0
<b>Total liabilities</b>	<b>695.87</b>	<b>53.2</b>	<b>677.37</b>	<b>53.9</b>	<b>840.51</b>	<b>71.0</b>
<b>Equity attributable to owners of the Company</b>	<b>610.95</b>	<b>46.7</b>	<b>578.33</b>	<b>46.0</b>	<b>329.52</b>	<b>28.0</b>
Non-controlling interests of the subsidiaries	1.26	0.1	1.36	0.1	6.93	1.0
<b>Total shareholders' equity</b>	<b>612.22</b>	<b>46.8</b>	<b>579.70</b>	<b>46.1</b>	<b>336.44</b>	<b>29.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,308.09</b>	<b>100.0</b>	<b>1,257.07</b>	<b>100.0</b>	<b>1,176.96</b>	<b>100.0</b>

Income Statement	Year Ended					
	2013		2012		2011	
	THB in Million	%	THB in Million	%	THB in Million	%
Revenues from Sales	1,992.96	98.7	1,822.93	98.7	1,682.01	98.9
Other income	26.27	1.3	23.23	1.3	18.12	1.1
Total revenues	2,019.23	100.0	1,846.16	100.0	1,700.13	100.0
Cost of sales	1,431.34	70.9	1,280.82	69.4	1,231.77	72.5
Selling expenses	195.70	9.7	185.14	10.0	156.93	9.2
Administrative expenses	256.74	12.7	225.33	12.2	191.51	11.3
Other expenses	-	-	-	-	4.13	0.2
Operating Incomes	135.45	6.7	154.87	7.1	115.79	6.8
Profit before finance cost and income tax expenses	135.45	6.7	154.87	8.4	115.79	6.8
Finance cost	19.26	1.0	25.32	1.4	34.99	2.1
Income tax expenses	24.40	1.2	33.96	1.8	29.5	1.7
Profit after tax	91.79	4.5	95.58	5.2	51.3	3.0
Profit attributable to Non-controlling interests of the subsidiaries	0.19	0.0	0.42	0.0	0.47	0.0
Profit attributable to Equity holders of the Company	91.60	4.5	95.17	5.2	50.83	3.0

Cash Flow Statement	Year Ended		
	2013	2012 (Adjusted)	2011
	THB in Million	THB in Million	THB in Million
Profit from operating activities before changes in operating assets and liabilities	190.25	198.80	169.72
Net Cash Flows from Operating Activities	139.21	141.80	110.83
Net Cash Flows from Investing Activities	( 82.33)	( 13.79)	(69.96)
Net Cash Flows from Financing Activities	(59.90)	(108.01)	(36.85)
Net Increase in Cash and Cash Equivalents	(3.02)	20.00	4.02
Cash and Cash Equivalents at Beginning of the Period	30.20	10.20	6.18
<b>Cash and Cash Equivalents at Ending of the Period</b>	<b>27.14</b>	<b>30.20</b>	<b>10.20</b>

Financial Ratio	Year Ended		
	2013	2012 (Adjusted)	2011
<b>Liquidity Ratio</b>			
Current Ratio (Times)	0.9	0.9	0.6
Quick Ratio (Times)	0.6	0.6	0.4
Cash Flow Ratio (Times)	0.3	0.4	0.3
Accounts Receivable Turnover (Times)	6.7	6.2	5.8
Average Collection Period (Days)	53.6	58.5	62.2
Inventory Turnover (Times)	30.3	26.7	30.1
Average Day's Sales in Inventory (Days)	11.9	13.5	11.9
Accounts Payable Turnover (Times)	7.8	7.0	8.0
Average Payment Period (Days)	46	51.1	45
Cash Cycle (Days)	20	20.8	29
<b>Profitability Ratio</b>			
Gross Profit Margin (%)	28.18%	29.74%	26.77%
Operating Profit Margin (%)	6.80%	8.50%	6.88%

Financial Ratio	Year Ended		
	2013	2012 (Adjusted)	2011
Net Profit Margin (%)	4.55%	5.15%	3.02%
Return on Equity (%)	15.40%	16.42%	11.20%
<b>Efficiency Ratio</b>			
Return on Assets (%)	7.16%	7.57%	4.22%
Return on Fixed Assets (%)	17.78%	19.01%	13.43%
Total Assets Turnover (Times)	1.6	1.5	1.4
<b>Financial Policy Ratio</b>			
Debt to Equity Ratio (Times)	1.1	1.2	2.5
Interest Coverage Ratio (Times)	11.7	9.6	5.3
Dividend Payout Ratio (%)	64.53%	73.39%	18.89%

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

### (1) Overall 2013 Performances and Major Developments

- The company successfully achieved revenues growth of 9.4% in the year 2013 amid sluggish Thai economy as a result of political uncertainties, slowing down in export, and low domestic consumption. The company recorded total revenues of Baht 2,019 million of which Baht 1,993 million was revenues from sales, increased by Baht 170 million from 2012's, or 9.3% increased.
- Overall gross profit margin declined from 29.7% in 2012 to 28.2% in 2013 mainly due to large increase in pork price (major raw material), increased by 21%. Products that their gross profit margins had the most negatively impact were traditional Thai foods and snack. The gross profit margin of seafood balls slightly dropped from the previous year, while the rest of the products experienced improvement in gross profit margin. *(Details will be discussed in "2013 Operating Result")*
- Sales growth was seen in almost every business units of the company, except for meat-base-snack which experienced sales declining by 35%, firstly as a result of household spending less in buying extravagant goods which was not life necessity, and secondly due to the postponement of new product launching from 2013 as planned to 2014.
- The prominent growth was in RTE meals and RTH frozen foods 32%, seafood balls 16%, and quick services restaurant (QSR) 63%, while Traditional Thai foods had 6% growth, which was in line with the growth during the last 2-3 years. *(Please see details in "2013 Operating Result")*
- The company had maintained its market leadership in traditional Thai foods and seafood balls market, both of which had approximately 80% market shares in modern trade channel (based on company's survey). S.Khonkaen Brand and other company's brands have received high recognition in term of high quality products, clean, healthy, and delicious; therefore the company's products have gained high brand loyalty among consumers.
- The company set up a Traditional Trade market (or TT market) sales department to aggressively market the company products, especially, traditional Thai foods products in this TT market. As

the company's products received high brand loyalty, together with a cost leadership in this industry, the company is confident to significantly gain the market share in this TT market. This will fuel the company's strong future growth.

## (2) 2013 Operating Results

### 2.1 Revenue Breakdown

	Year 2013		Year 2012		Year 2011	
	Baht Mil.	%	Baht Mil.	%	Baht Mil.	%
<i>1. Traditional Thai Foods</i>						
- Domestic	808.8	39.3%	764.3	41.4%	750.9	44.2%
- Export	32.4	1.5%	27.1	1.5%	25.6	1.5%
<i>Total</i>	841.2	41.7%	791.4	42.9%	776.5	45.7%
<i>2. Seafood Balls</i>						
- Domestic	652.2	32.3%	551	29.8%	461.1	27.1%
- Export	65.3	3.2%	67.4	3.6%	72.9	4.3%
<i>Total</i>	717.5	35.5%	618.4	33.5%	534	31.4%
<i>3. Meat - Base - Snack</i>						
- Domestic	68.8	3.4%	104.2	5.6%	94.9	5.6%
- Export	5.4	0.3%	10	0.5%	8.5	0.5%
<i>Total</i>	74.2	3.7%	114.2	6.1%	103.4	6.1%
<i>4. RTE meals &amp; RTH frozen foods</i>						
- Domestic	165.9	8.2%	123.1	6.7%	92.3	5.4%
- Export	0.3	0.0%	2.9	0.2%	24.8	1.5%
<i>Total</i>	166.2	8.2%	126.1	6.9%	117.1	6.9%
<i>5. Quick Service Restaurant - QSR</i>						
<i>Total</i>	31.4	1.6%	19.3	1.0%	8.8	0.1%
<i>6. Swine Farm</i>						
<i>Total</i>	162.4	8.0%	153.5	8.3%	142.2	8.4%

	Year 2013		Year 2012		Year 2011	
<i>Total Sales</i>	<b>1,993.0</b>	<b>98.7%</b>	<b>1,822.9</b>	<b>98.7%</b>	<b>1,682.0</b>	<b>98.9%</b>
<i>Other Incomes</i>	26.3	1.3%	23.2	1.3%	18.1	1.1%
<i>Total Revenues</i>	<b>2,019.2</b>	<b>100.0%</b>	<b>1,846.1</b>	<b>100.0%</b>	<b>1,700.0</b>	<b>100.0%</b>

### ***Traditional Thai Foods***

- Traditional Thai foods, accounted for 41.7% of the total sales mix, recorded its sales growth of 9.2% Compound Annual Growth Rate (CAGR) during the past 3 years. In 2013 alone, it recorded 6.3% sales growth which was resulted from both increase in quantity and price increased during the 3<sup>rd</sup> quarter 2013. Changes in products mix (under its category) was also another factor affected the sales revenues.
- Export was only at 4% of its total sales, since processed pork products from Thailand have been banned by most of countries (as foots and mouth deceases concern).

### ***Seafood Balls***

- Seafood balls, another company's core business, contributed 35.5% in sales mix in 2013. It had strong growth of 15.3% CAGR during the past 3 years. In 2013, it recorded 16% sales growth which was mainly resulted from increase in sales quantity, and partly from price increased during the 3<sup>rd</sup> quarter 2013.
- The domestic fish price largely increased in 2013, but the company had ability to import frozen fish from various sources to average the overall raw material cost down, while the products' quality was maintained. This strengthened our competitive advantage, especially in the wet market channel. Even the company increased selling price at the beginning of the 3<sup>rd</sup> quarter, there was no negative impact to its sales volume.

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

- Meat-Base-Snack experienced sales declining by 35% in 2013 with the following reasons:

- Household spent less in buying extravagant goods which was not life necessity as a result of economic downturn.
- The company decided to postpone new product launching from 2013, as planned, to 2014 since the overall economy circumstances and market conditions were not favorable.

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

- RTE meals and RTH frozen foods were successfully recorded strong sales growth of 32% of which came from both increase in business volume from existing customers and new OEM customer (with 5 new recipes to be produced) in the 3<sup>rd</sup> quarter 2013.
- After successfully launched dessert “tweet” in December 2012, the company introduced new product, “Yunnan - Pork Leg Stew”, last year, after spending long period of time on research & development and market testing to ensure the success of the launch. The company aims (and strongly believes) to make “Yunnan Pork Leg Stew” to be one of the company’s product champions.

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

#### **● Zaap Express**

- In 2013, Zaap Express recorded 63% strong revenues growth, which mainly came from the increase in revenues of existing 4 outlets, and partly from one new outlet opened in 2013 at SoHo. The high revenues growth was a result of the company thoroughly conducted marketing activities throughout the year, revised the menu to satisfy customers’ needs, and also started delivery business in some outlets. By the end of 2013, Zaap Express had 5 outlets in total.
- The new outlets expansion was slower than its plan since the company has revised the business model to cope with the labors shortage and too high labor cost in operating the restaurants. The revised model is to emphasize on home and office delivery and to start franchise business for Zaap Express in the form of kiosk manned by only 3-4 staffs per outlet.

- **Yunnan by S.Khonkaen**

- The company opened the pilot outlet of “Yunnan by S.Khonkaen” – a unique design restaurant serving “Yunnan: pork leg stew with rice and some other Chinese cuisines, at Bangchak Gas Station Bangna - Trad Km 4.5 in April and another 3 outlets in November 2013. Revenues from Yunnan contributed a very small portion to the QSR’s revenue since it just started operation.

### **Swine Farm**

- Swine Farm business had revenues growth of 6%, in line with the past few years. The growth was lower than expected due to the company experienced less number of pigs to be sold than anticipated due to warm climatic conditions and wide spread of pig epidemics.

## **2.2 Gross Profit Margin by Product Group**

Overall company’s gross profit margin declined from 29.7% in 2012 to 28.2% in 2013 mainly due to large increase in pork price (major raw material), increased by 21%.

- Gross profit margin of **traditional Thai foods** decreased from 43.2% in 2012 to 37.3% in 2013 as a result of high increase in pork price, increased by 21%. However, the company was able to increase selling price of traditional Thai foods in the 3<sup>rd</sup> quarter to reflect the increase in material cost. As a result, its gross profit margin was not significantly affected.
- **Seafood balls**’ gross profit margin had negative impact from 1) the increase in domestic fish price and 2) the higher overtime cost in order to produce products to fulfill rapid increase in demand amid the factory running at almost full capacity. Nevertheless, the company started importing frozen fish from various sources with lower price to average down the overall fish cost, while the quality remained unchanged. The company was also able to increase its selling price in the 3<sup>rd</sup> quarter (with no negative impact to its sales). As a result, its gross profit margin was recorded at 23.3% which was not much decreased from the former year, recorded at 24.9%.

- **Snack's** gross profit margin was deteriorated by large increase in pork and chicken prices, and increase in the fixed cost per unit as a result of decrease in units sold. These two major factors brought down the gross profit margin from 31.2% in 2012 to 22.3% last year.
- Gross profit margin of **RTE meals and RTH frozen foods** had been continuously increased from 9.6% in 2012 to 19.1% in 2013 as a result of:
  - Dramatic increase in production volume brought the fixed production cost per unit down significantly.
  - Even both pork and chicken prices were tremendously increased last year; however, the company managed to increase its selling price to cope with the rising cost.
- **Quick service restaurant's** gross profit margin was significantly improved from 40% in 2012 to 47% in 2013, as a result of very high sales growth and significant improvement in restaurant management.
- **Swine farm** recorded positive gross profit margin at 7.4% in 2013 comparing to negative gross profit margin of 4% in 2012, as a result of higher pork prices situation. In fact, the company should record higher gross profit margin last year, unfortunately that the company experienced less number of pigs to be sold than anticipated due to warm climatic conditions and wide spread of pig epidemics.

### 2.3 Selling, General & Administrative Expenses

- Selling and administration expenses increased by Baht 42.0 million or 10% increase, which was in line with sales increase. As a result, percentage of selling and administration expenses to sales revenue was 22.7% which was the same level of the former year, at 22.5%.
  - Payroll and employees' benefit (equivalent to 45% of Selling and Admin. Expenses) increased by Baht 15 million or approximately 8% increase as a result of annual salary increase and increase in staff headcounts to accommodate businesses expansion.

- Expenses related to modern trade was significantly increased, as most of modern trade operators increased their fees.

## **2.4 Interest Expenses**

- Financial cost decreased from Baht 25 million in 2012 to Baht 19 million in 2013, or decreased by 24%, as the company managed to receive lower interest rate charged by financial institutions. Also, the company successfully issued the Bill of Exchange (B/E) to raise fund directly from the capital market. This also lowered the overall interest cost of the company.

## **2.5 Effects of the Changes in Accounting Policies**

### **● Thai Accounting Standard (TAS) 12 Income Taxes**

As a result of new accounting standard of “TAS 12 Income Taxes” became effective in 2013, the company and its subsidiaries have changed this accounting policy accordingly. The cumulative effect of this change in accounting policy was that the company restated the 2012’s net profit to be Baht 95.6 million, or Baht 2.1 million higher than the net profit before adjusted of Baht 93.5 million.

### **● Change in Accounting Estimation**

During 2013, the company and its subsidiaries changed the estimated useful life of building improvement and machinery from 5 years to 10 years to reflect future economic benefits. The change in estimation of such useful lives had the effect of decreasing depreciation expenses by Baht 8.7 million.

## **2.6 Other Incomes**

- Out of Baht 26 million other incomes recorded in 2013, Baht 13.8 Million was sales of Fish Bone and Baht 4.6 million was gain from sales of sows and boars, while the rest were other incomes. Most of them are recurring incomes.

## **2.7 Net Profit**

- The company recorded Baht 91.8 million of net profit in 2013, which was approximately 4% lower than last year. The main factor negatively affecting the 2013's net profit was the skyrocketing in pork price.

## **2.8 Return on Equity (ROE)**

- In 2013, the company achieved 15.4% ROE, lower than 16.4% ROE recorded in 2012, as a result of decrease in net profit. Nevertheless, the 15.4% ROE was higher than the average 10% ROE of those peers in Food & Beverage industry. In other words, the company outperformed its peer in term of ROE.

## **(3) Performances of Assets**

- At the end of 2013, the company recorded Baht 1,308.1 million comprised of Baht 502.8 million current assets and Baht 805.3 million non-current assets, which were accounted for 38% and 62% of the total assets, respectively. This proportion of current and non-current assets in 2013 remained at the same level of the past few years.
- In 2013, the company invested Baht 87 million in capital expenditures, of which Baht 31 million invested in Seafood Balls capacity expansion project. The rest of Baht 56 million was capital expenditures for the replacement of machinery and equipment and for technology improvement to increase production efficiency.
- The company's assets were managed more efficiently in 2013 with the Total Assets Turnover of 1.6 times comparing to 1.5 times in 2012. The company had much higher Total Assets Turnover than those of peers in Food and Beverage industry, which were average at only 1.1 times.
- The working capital was also monitored and controlled to be in line with the company's policy. The cash conversion cycle was 20 days in 2013 which was slightly better than 20.8 days in 2012.

- Accounts Receivable Days reduced from 58.5 days to 53.6 days in 2013 as a result of increase in sales of Seafood Balls in the fresh market channel with a shorter credit term and increase in QSR's sales.
- Finished goods inventory were kept at 11.9 days on the average in 2013 which was shorter than an average 13.5 days in 2012. The reason was that the seafood balls had almost zero finished goods inventory as a result of its demand increased rapidly while the factory running at almost full capacity.
- The company had Baht 332.1 million of investment properties which mostly are lands located in Kaeng Khoi, Saraburi province, where the dual-track railways system will pass by. The company planned to liquidate these lands, just waiting for the right timing in order to get the better price.
- Net Assets Realized Values
  - Allowances for doubtful deb was not provided in 2013 since the company's had no overdue accounts receivable. Debt aging is shown below:

	Not Yet Due	0-3 months	3-6 months	6-12 months	>12 months
<b>Amount (Baht Million)</b>	256	33	1	-	-

- The value of inventories was reduced by Baht 6.7 million of obsoleted packaging as a result of the postponement of new product launching.

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

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

- The operating cash flow of Baht 190 million (4% decreased from 2012 as decrease in EBIT) was still the major source of fund in 2013, accounted for 67.5% of company's total sources of funds.
- Net Working capital slightly increased from Baht 274 million in 2012 to Baht 282 million, or increased by only 3%, despite the fact that sales revenues were increased by 9.3%. The slower growth in net working capital was resulted from prudent management and the company grew its sales in the fresh market channel with shorter credit terms.
- Net cash flow from operating activities of Baht 139.2 million was used in investing activities of Baht 82.3 million and used in financing activities of Baht 59.9 million.

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

- As of December 2013, the company's had Debt/ Equity ratio (D/E ratio), at 1.1 times which was lower than an average 1.5 times D/E ratio of industry. Net Interest Bearing Debt to Equity ratio was at only 0.72 times at the end of 2013; therefore the company still has room for leverage for future expansion.
- Interest Coverage ratio was at a high level of 11.7 times in 2013.

##### ***4.3 Capital Expenditure***

- Capital Expenditures (CAPEX) incurred in 2013 were comprised of the followings:
  - **Baht 56 million** of Annual CAPEX which was mostly used for replacement of machinery and equipment and for efficiency improvement and cost reduction program.

- **Baht 31 million** was CAPEX spent for Seafood Balls capacity expansion project of MFP.

The total project cost was estimated at Baht 313 million with the following cash reimbursement schedule:

	2012	2013	2014	Total
<b>CAPEX (Baht Million)</b>	<b>29</b>	<b>31</b>	<b>253</b>	<b>313</b>

The new facilities will partly start productions at the beginning of the 3<sup>rd</sup> quarter of 2014 and the project will be totally completed within the same quarter.

#### **Project details**

- Increase capacity of Seafood Balls from 9,000 tons to 14,300 tons per year
- New Halal meat-based-snacks production line with 800 tons per year
- Efficiency improvement and cost reduction programs comprised of 1) Ice Production facility, 2) Fully Automated Scaling and Packing line, 3) Cold Storage, and 4) Fish Head-cutting Machine. This will yield the cost saving by approximately 2%.

(The CAPEX of Baht 253 million for the year 2014 will be financed by the committed project financing facilities of Baht 218.5 million or 86.4% of this CAPEX. The rest will be financed by internal cash flow.)

#### **4.4 Liquidity**

- The company had decent liquidity with Current ratio of 0.9 times for the year 2013. However, the company's policy is to maintain the Current ratio at 1 time, and the company is under discussion with banks to convert some short term borrowings to longer term debts.
- The company had banking facilities with quite a number of banks so as to diversify its liquidity risk. By the end of 2013, the short term borrowing facilities received were adequate to support the company's expansion.

- Furthermore, the company successfully issued Bill of Exchange (B/E) in 2013 to raise short term funds directly from the capital market. This enhanced the overall company's funding capability.

***(5) Long Term Debts Obligation (as of December 31, 2013)***

**Unit Baht Million**

	Total	Loan Period			
		< 1year	1-3 years	3-5 years	> 5 years
<b>Long Term Debts</b>	<b>107.8</b>	<b>3.5</b>	<b>30.0</b>	<b>39.4</b>	<b>34.9</b>

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

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

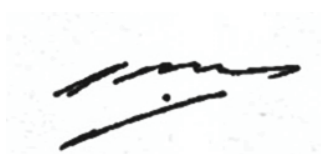
- There is possibility that modern trade operators would charge more fees and expenses in relation to the company's sales. However, this would be mitigated could the company is able to pass this cost to consumer in some extent.
- The company set up the new Traditional Trade Market sales team (TT Market) to aggressively penetrate the TT Market. The strategy will leverage on the company's cost leadership status and high brand loyalty. Increase in sales revenues from this channel will strongly enhance the company future growth.
- ***Seafood Balls Capacity Expansion and Halal Meat-Base-Snack Project***
  - The seafood balls facilities will be partly commenced at the beginning of the 3<sup>rd</sup> quarter 2014, while the Halal meat-base-snack will start its operation at the beginning of the 4<sup>th</sup> quarter, same year.
  - As mentioned in 4.3, Capital Expenditure, that project financing has been secured up to 86.4% of the total Baht 253 million CAPEX to be reimbursed in 2014. This project financing will increase the ***Net Interest Baring Debs to Equity*** ratio at the end of 2013 to approximately 1.1 times by the end of 2014. This level is still acceptable, and considered to be low.

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

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

The Board of Directors is responsible for the consolidated financial statements of the Company and its subsidiaries, the separate financial statements of the Company, and the financial information in the Annual Report. In preparation of the financial statements for the year ended December 31, 2013, appropriate accounting policies have been practiced consistently and in compliance with the generally accepted accounting standards. Significant information has also been sufficiently disclosed in notes to financial statements and these financial statements have been audited by independent certified auditors who have given their unqualified opinions.

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



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



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

## Audit Committee Report

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

In 2013, the Audit Committee held 4 meetings and all three members attended all 4 meetings. The Committee has reviewed the financial statements of the Company in accordance with its scope of works and responsible for the preparation of the report to the Company Board of Directors regarding the transparency, accuracy, and reliability of the financial report as well as to review and to ensure that the Company has an adequate and appropriate internal control system and also compliance with laws and regulations. The Audit Committee also provided any other comments to the Board. The period of the auditing was ended at 31 December 2013.

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



(Mr. Charoenphan Phanthumongkol)

Chairman of the Audit Committee

S. Khonkaen Foods Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2013

## **Independent Auditor's Report**

To the Shareholders of S. Khonkaen Foods Public Company Limited

I have audited the accompanying consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of S. Khonkaen Foods Public Company Limited for the same period.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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. Khonkaen Foods Public Company Limited and its subsidiaries and of S. Khonkaen

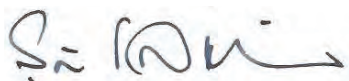
Foods Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

**Emphasis of matter**

I draw attention to Note 5 to the financial statements regarding the change in accounting policy made due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustment resulting from such change in accounting policy. The Company presented consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.

**Other matters**

The consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries and the separate financial statements of S. Khonkaen Foods Public Company Limited for the year ended 31 December 2012 (before restatement) were audited by another auditor of our firm who expressed an unqualified opinion on those statements, under his report dated 27 February 2013.



Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited

Bangkok: 24 February 2014

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

**Statement of financial position**

**As at 31 December 2013**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2013	31 December 2012	31 December 2013	31 December 2012
			(Restated)		(Restated)
Assets					
Current assets					
Cash and cash equivalents	9	27,140,684	30,201,238	1,871,349	1,067,452
Trade and other receivables	8, 10	297,266,011	295,637,075	282,281,150	284,423,445
Short term loans to subsidiaries	8	-	-	72,010,723	80,000,000
Inventories	11	167,516,423	160,552,843	96,807,701	103,838,254
Dividend receivables		-	-	-	-
Other current assets		10,880,998	9,951,388	5,380,301	4,229,351
Total current assets		502,804,116	496,342,544	458,351,224	473,558,502
Non-current assets					
Restricted bank deposits	12	195,066	171,330	-	-
Investments in subsidiaries	13	-	-	292,188,898	292,184,701
Investment properties	14	332,089,099	332,089,099	62,530,000	62,530,000
Breeding stocks	15	7,649,079	7,991,128	-	-
Property, plant and equipment	16	431,623,680	383,340,263	246,162,790	246,279,351
Leasehold right on buildings	17	4,106,178	5,286,296	4,106,178	5,286,296
Intangible assets	18	18,820,809	18,026,702	18,427,733	17,557,401
Deferred tax assets	26	3,037,316	4,323,910	-	-
Other non-current assets		7,760,365	9,495,097	7,709,365	9,476,098
Total non-current assets		805,281,592	760,723,825	631,124,964	633,313,847
Total assets		1,308,085,708	1,257,066,369	1,089,476,188	1,106,872,349

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

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

**Statement of financial position (continued)**

**As at 31 December 2013**

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
			(Restated)		(Restated)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	19	325,326,351	316,388,308	273,659,715	298,353,998
Trade and other payables	8, 20	182,723,422	181,965,565	159,275,259	156,675,132
Short term loan from subsidiary	8	-	-	26,000,000	50,000,000
Current portion of financial lease payables	21	4,060,158	3,744,971	2,940,623	2,307,272
Current portion of long-term loans	22	30,155,700	29,772,000	16,463,700	19,092,000
Income tax payable		11,475,278	23,079,064	4,676,024	11,153,408
Other current liabilities		12,911,301	11,274,286	8,983,603	8,029,952
<b>Total current liabilities</b>		<b>566,652,210</b>	<b>566,224,194</b>	<b>491,998,924</b>	<b>545,611,762</b>
<b>Non-current liabilities</b>					
Financial lease payables, net of current portion	21	3,768,113	5,228,515	1,590,691	4,525,159
Long-term loans, net of current portion	22	77,648,700	62,979,400	17,005,700	33,469,400
Deferred tax liabilities	26	9,034,575	9,577,035	8,946,685	9,577,035
Other non-current liabilities		2,698,959	461,690	-	-
Provision for long-term employee benefits	23	36,065,205	32,899,254	19,240,297	17,829,707
<b>Total non-current liabilities</b>		<b>129,215,552</b>	<b>111,145,894</b>	<b>46,783,373</b>	<b>65,401,301</b>
<b>Total liabilities</b>		<b>695,867,762</b>	<b>677,370,088</b>	<b>538,782,297</b>	<b>611,013,063</b>

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

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

**Statement of financial position (continued)**

**As at 31 December 2013**

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2013	31 December 2012	31 December 2013	31 December 2012
			(Restated)		(Restated)
Shareholders' equity					
Share capital					
Registered					
24,255,000 ordinary shares of Baht 10 each		242,550,000	242,550,000	242,550,000	242,550,000
Issued and fully paid					
24,255,000 ordinary shares of Baht 10 each		242,550,000	242,550,000	242,550,000	242,550,000
(1 January 2012: 8,085,000 ordinary shares of Baht 10 each)					
Share premium		50,281,000	50,281,000	50,281,000	50,281,000
Share premium on treasury stock		37,552,153	37,552,153	-	-
The Company's shares held by its subsidiaries		-	-	-	-
Retained earnings					
Appropriated - statutory reserve	24	24,255,000	24,255,000	24,255,000	24,255,000
Unappropriated		165,877,486	133,218,911	155,440,755	100,606,150
Other components of shareholders' equity		90,439,314	90,476,613	78,167,136	78,167,136
Equity attributable to owners of the Company		610,954,953	578,333,677	550,693,891	495,859,286
Non-controlling interests of the subsidiaries		1,262,993	1,362,604	-	-
Total shareholders' equity		612,217,946	579,696,281	550,693,891	495,859,286
Total liabilities and shareholders' equity		1,308,085,708	1,257,066,369	1,089,476,188	1,106,872,349
		-	-	-	-

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

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

**Income statement**

**For the year ended 31 December 2013**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
			(Restated)		(Restated)
<b>Revenues</b>					
Sales		1,992,963,052	1,822,929,605	1,446,161,252	1,358,242,514
Other income		26,267,389	23,228,437	79,402,505	7,038,488
<b>Total revenues</b>		2,019,230,441	1,846,158,042	1,525,563,757	1,365,281,002
<b>Expenses</b>					
Cost of sales		1,431,339,282	1,280,818,318	1,011,135,939	912,377,444
Selling expenses		195,697,422	185,139,894	173,511,951	165,372,916
Administrative expenses		256,739,823	225,333,062	199,833,186	166,001,076
<b>Total expenses</b>		1,883,776,527	1,691,291,274	1,384,481,076	1,243,751,436
<b>Profit before finance cost and income tax expenses</b>		135,453,914	154,866,768	141,082,681	121,529,566
Finance cost		(19,264,634)	(25,324,812)	(16,046,606)	(19,962,320)
<b>Profit before income tax expenses</b>		116,189,280	129,541,956	125,036,075	101,567,246
Income tax expenses	26	(24,396,707)	(33,957,194)	(11,261,820)	(23,225,545)
<b>Profit for the year</b>		91,792,573	95,584,762	113,774,255	78,341,701
<b>Profit attributable to:</b>					
Equity holders of the Company		91,598,225	95,166,490	113,774,255	78,341,701
Non-controlling interests of the subsidiaries		194,348	418,272		
		91,792,573	95,584,762		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company	27	3.78	4.93	4.69	3.95

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

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

**Statement of comprehensive income**

**For the year ended 31 December 2013**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
			(Restated)		(Restated)
<b>Profit for the year</b>		91,792,573	95,584,762	113,774,255	78,341,701
<b>Other comprehensive income:</b>					
Actuarial gains	23	-	3,903,852	-	6,172,122
Income tax effect	26	-	(780,770)	-	(1,234,424)
Translation adjustment		(37,299)	-	-	-
<b>Other comprehensive income for the year</b>		(37,299)	3,123,082	-	4,937,698
<b>Total comprehensive income for the year</b>		91,755,274	98,707,844	113,774,255	83,279,399
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		91,560,926	98,469,092	113,774,255	83,279,399
Non-controlling interests of the subsidiaries		194,348	238,752		
		91,755,274	98,707,844		

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

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

**Cash flow statement**

**For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
<b>Cash flows from operating activities</b>				
Profit before income tax expenses	116,189,280	129,541,956	125,036,075	101,567,246
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	43,035,794	44,770,366	27,422,489	28,956,463
Depreciation - breeding stocks	4,359,260	4,670,360	-	-
Reduction of inventory to net realisable value (reversal)	6,558,050	(4,255,889)	6,558,050	(4,255,889)
Gain on sales of equipment	(153,372)	(75,442)	(104,249)	(63,247)
Gain on sales of sows and boars	(4,616,244)	(4,120,172)	-	-
Write-off and donation of equipment	1,532,488	32	1,472,488	-
Provision for long-term employee benefits	4,736,461	3,749,300	2,745,600	2,667,644
Unrealised gain on exchange	(383,644)	(64,062)	(383,644)	(64,062)
Dividend income	-	-	(69,699,423)	-
Interest income	(272,717)	(740,550)	(4,338,000)	(2,374,708)
Interest expenses	19,264,634	25,324,812	16,046,606	19,962,320
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>190,249,990</b>	<b>198,800,711</b>	<b>104,755,992</b>	<b>146,395,767</b>
Operating assets (increase) decrease				
Trade and other receivables	(1,226,947)	(8,012,218)	2,597,397	(6,958,383)
Inventories	(18,473,319)	(829,889)	472,503	(1,497,928)
Other current assets	(929,610)	(1,619,180)	(1,150,950)	473,180
Other non-current assets	1,734,732	(1,271,071)	1,766,733	(1,267,072)
Operating liabilities increase (decrease)				
Trade and other payables	809,230	(864,797)	2,885,034	(14,899,743)
Provision for long-term employee benefits	(1,570,510)	(732,500)	(1,335,010)	(531,540)
Other current liabilities	1,637,015	1,189,204	953,651	246,067
Other non-current liabilities	2,237,269	(218,922)	-	-
Cash flows from operating activities	174,467,850	186,441,338	110,945,350	121,960,348
Cash paid for corporate income tax	(35,256,361)	(44,640,168)	(18,369,554)	(23,069,701)
<b>Net cash flows from operating activities</b>	<b>139,211,489</b>	<b>141,801,170</b>	<b>92,575,796</b>	<b>98,890,647</b>

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

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

**Cash flow statement (continued)**

**For the year ended 31 December 2013**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
<b>Cash flows from investing activities</b>				
(Increase) decrease in restricted bank deposits	(23,736)	999,707	-	-
Cash receipt from short-term loan to subsidiaries	-	-	84,000,000	-
Short-term loans to subsidiaries	-	-	(76,010,723)	(80,000,000)
Acquisition of property, plant and equipment	(86,249,552)	(80,877,333)	(25,842,646)	(36,249,678)
Acquisition of leasehold right on buildings	-	(4,855,280)	-	(4,855,280)
Acquisition of sows and boars	(219,885)	(110,591)	-	-
Acquisition of computer software	(2,628,955)	(5,120,403)	(2,628,955)	(5,120,403)
Acquisition of investment in subsidiaries	-	(3,848,646)	(4,197)	(69,107,142)
Cash receipt from sales of investment in the Company	-	74,295,980	-	-
Proceeds from sales of equipment	764,026	238,052	107,220	222,926
Proceeds from sales of sows and boars	5,770,607	4,746,048	-	-
Dividend received	-	-	69,699,423	37,122,853
Cash received from interest income	254,372	740,550	4,266,541	1,969,503
<b>Net cash flows used in investing activities</b>	<b>(82,333,123)</b>	<b>(13,791,916)</b>	<b>53,586,663</b>	<b>(156,017,221)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from				
financial institutions	8,938,043	(208,115,877)	(24,694,283)	(57,796,070)
Cash receipt from short-term loan from subsidiary	-	-	26,000,000	50,000,000
Repayment of short-term to subsidiary	-	-	(50,000,000)	-
Cash receipt from long-term loans	82,500,000	62,102,400	-	14,792,400
Cash paid for long-term loans	(67,447,000)	(24,556,000)	(19,092,000)	(17,436,000)
Decrease in financial lease payable	(4,169,785)	(3,968,683)	(2,301,117)	(2,246,172)
Proceeds from increase in share capital	-	161,700,000	-	161,700,000
Cash paid for interest expenses	(20,489,270)	(25,334,189)	(16,331,512)	(19,824,710)
Dividend paid	(59,233,609)	(69,840,300)	(58,939,650)	(72,765,000)
<b>Net cash flows from (used in) financing activities</b>	<b>(59,901,621)</b>	<b>(108,012,649)</b>	<b>(145,358,562)</b>	<b>56,424,448</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,023,255)</b>	<b>19,996,605</b>	<b>803,897</b>	<b>(702,126)</b>
Translation adjustment	(37,299)	-	-	-
Cash and cash equivalents at beginning of year	30,201,238	10,204,633	1,067,452	1,769,578
<b>Cash and cash equivalents at end of year</b>	<b>27,140,684</b>	<b>30,201,238</b>	<b>1,871,349</b>	<b>1,067,452</b>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash items transaction				
Purchases of equipment by financial lease agreements	3,024,570	-	-	-
Interest recorded as property plant and equipment	1,173,264	-	-	-

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**  
**Statement of changes in shareholders' equity**  
**For the year ended 31 December 2013**

(Unit: Baht)

	Consolidated financial statements													
	Equity attributable to owners of the Company													
	Other components of equity													
	Other comprehensive income													
	Issued and fully paid-up share capital	Share premium	Share premium on treasury stock	The Company's shares held by its subsidiaries	Retained earnings		Exchange differences on translation of financial statements in foreign currency	Surplus on revaluation of land	Surplus on revaluation of land of subsidiaries	in shareholder's equity to subsidiaries	Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
Appropriated					Unappropriated									
Balance as at 31 December 2011 - as previously reported	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
Cumulative effect of change in accounting policy for income taxes (Note 5)	-	-	-	-	-	15,436,436	-	(19,541,784)	(2,516,975)	-	(22,058,759)	(6,622,323)	76,203	(6,546,120)
Balance as at 31 December 2011 - as restated	80,850,000	50,281,000	-	(25,526,950)	8,085,000	120,760,119	-	78,167,136	10,277,500	-	88,444,636	322,893,805	7,004,473	329,898,278
Increase share capital	161,700,000	-	-	-	-	-	-	-	-	-	-	161,700,000	-	161,700,000
Dividend paid (Note 29)	-	-	-	-	-	(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 (restated)	-	-	-	-	-	98,469,092	-	-	-	-	-	98,469,092	238,752	98,707,844
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	-	-	-	-	-	-	-	-	382,259	-	382,259	382,259	(5,880,621)	(5,498,362)
Transferred to statutory reserve	-	-	-	-	16,170,000	(16,170,000)	-	-	-	-	-	-	-	-
Balance as at 31 December 2012	242,550,000	50,281,000	37,552,153	-	24,255,000	133,218,911	-	78,167,136	10,659,759	1,649,718	90,476,613	578,333,677	1,362,604	579,696,281
Balance as at 31 December 2012 as previously reported	242,550,000	50,281,000	37,552,153	-	24,255,000	116,322,695	-	97,708,920	13,272,428	1,649,718	112,631,066	583,591,914	1,357,492	584,949,406
Cumulative effect of change in accounting policy for income taxes (Note 5)	-	-	-	-	-	16,896,216	-	(19,541,784)	(2,612,669)	-	(22,154,453)	(5,258,237)	5,112	(5,253,125)
Balance as at 31 December 2012 - as restated	242,550,000	50,281,000	37,552,153	-	24,255,000	133,218,911	-	78,167,136	10,659,759	1,649,718	90,476,613	578,333,677	1,362,604	579,696,281
Dividend paid (Note 29)	-	-	-	-	-	(58,939,650)	-	-	-	-	-	(58,939,650)	-	(58,939,650)
Total comprehensive income for the year	-	-	-	-	-	91,598,225	(37,299)	-	-	-	(37,299)	91,560,926	194,348	91,755,274
Decrease in equity attributable to non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(293,959)	(293,959)
Balance as at 31 December 2013	242,550,000	50,281,000	37,552,153	-	24,255,000	165,877,486	(37,299)	78,167,136	10,659,759	1,649,718	90,439,314	610,954,953	1,262,993	612,217,946

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

**S. Khonkaen Foods Public Company Limited and its subsidiaries**  
**Statement of changes in shareholders' equity (continued)**  
**For the year ended 31 December 2013**

(Unit: Baht)

	Separate financial statements					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity	
					Other comprehensive income	
					Surplus on revaluation of land	
			Appropriated	Unappropriated		
<b>Balance as at 31 December 2011 - as previously reported</b>	80,850,000	50,281,000	8,085,000	94,678,649	97,708,920	331,603,569
Cumulative effect of change in accounting policy for income tax (Note 5)	-	-	-	11,583,102	(19,541,784)	(7,958,682)
<b>Balance as at 31 December 2011 - as restated</b>	80,850,000	50,281,000	8,085,000	106,261,751	78,167,136	323,644,887
Increase share capital	161,700,000	-	-	-	-	161,700,000
Dividend paid (Note 29)	-	-	-	(72,765,000)	-	(72,765,000)
Total comprehensive income for the year (restated)	-	-	-	83,279,399	-	83,279,399
Transferred to statutory reserve	-	-	16,170,000	(16,170,000)	-	-
<b>Balance as at 31 December 2012</b>	<u>242,550,000</u>	<u>50,281,000</u>	<u>24,255,000</u>	<u>100,606,150</u>	<u>78,167,136</u>	<u>495,859,286</u>
<b>Balance as at 31 December 2012 - as previously reported</b>	242,550,000	50,281,000	24,255,000	90,641,401	97,708,920	505,436,321
Cumulative effect of change in accounting policy for income tax (Note 5)	-	-	-	9,964,749	(19,541,784)	(9,577,035)
<b>Balance as at 31 December 2012 - as restated</b>	242,550,000	50,281,000	24,255,000	100,606,150	78,167,136	495,859,286
Dividend paid (Note 29)	-	-	-	(58,939,650)	-	(58,939,650)
Total comprehensive income for the year	-	-	-	113,774,255	-	113,774,255
<b>Balance as at 31 December 2013</b>	<u>242,550,000</u>	<u>50,281,000</u>	<u>24,255,000</u>	<u>155,440,755</u>	<u>78,167,136</u>	<u>550,693,891</u>

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

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

### ***Notes to consolidated financial statements***

#### ***For the year ended 31 December 2013***

#### **1. General information**

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

#### **2. Basis of preparation**

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

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

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

#### **2.2 Basis of consolidation**

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013 Percent	2012 Percent
S. Pasusat Co., Ltd.	Breeding and sales of finishing swine	Thailand	100	100
S.K.K. Food Co., Ltd.	Distribution of processed products	Thailand	99	99
Mahachai Food Processing Co., Ltd.	Manufacture and distribution of processed seafood	Thailand	99	99
S. Khonkaen Foods (Netherlands) B.V.	Distribution of processed products	Netherlands	100	-

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

### 3. New accounting standards

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

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

##### 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:

IFRS 8	Operating Segments
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##### Accounting Standard Interpretations:

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

##### Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

#### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current period and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 5 to the financial statements.

#### **(b) Accounting standards that will become effective in the future**

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

		<u>Effective date</u>
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS <i>29 Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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

#### **4. Changes in accounting estimation**

During the current year, the Company and its subsidiaries changed the estimated useful life of building improvement and machineries from 5 years to 10 years to reflect future economic benefits. The change in estimates of such useful lives had the effect of decreasing depreciation expenses included in the consolidated profit or loss and separated profit or loss for the year ended 31 December 2013 by Baht 8.7 million and 6.8 million, respectively. The change in the estimated useful life of building improvement and machineries were recognised prospectively; therefore, no adjustment was made to the financial statements for the year ended 31 December 2012.

## 5. Cumulative effect of the change in accounting policies due to the adoption of new accounting standard

During the current year, the Company and its subsidiaries made the change described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of TAS 12 *Income Taxes*. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	(Unit: Thousand Baht)					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31	31	1	31	31	1
	December	December	January	December	December	January
	2013	2012	2012	2013	2012	2012
<b>Statements of financial position</b>						
Increase in deferred tax assets	3,037	4,324	1,594	-	-	-
Increase in deferred tax liabilities	9,034	9,577	8,141	8,947	9,577	7,959
Increase in non-controlling interests of the subsidiaries	4	5	76	-	-	-
Increase in unappropriated retained earnings	16,153	16,896	15,436	10,595	9,965	11,583
Other components of equity						
- Surplus on revaluation of land	(22,154)	(22,154)	(22,059)	(19,542)	(19,542)	(19,542)

(Unit: Thousand Baht)

	Consolidated financial		Separate financial statements	
	statements			
	2013	2012	2013	2012
<b>Statements of comprehensive income</b>				
<b>Profit or loss:</b>				
Increase (decrease) in income tax expenses	744	(2,074)	(630)	384
Increase (decrease) in profit attributable to non-controlling interest of the subsidiaries	(1)	1	-	-
Increase (decrease) in profit attributable to equity holders of the Company	(743)	2,073	630	(384)
Increase (decrease) in basic earnings per share (Baht)	(0.03)	0.11	0.03	(0.02)

## 6. Significant accounting policies

### 6.1 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.

### 6.2 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.

### 6.3 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.

#### **6.4 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.

#### **6.5 Investments**

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

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

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

#### **6.6 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.

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

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

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

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

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other

comprehensive income to the extent that it does not exceed an amount already held in “Revaluation surplus on land” in respect of the same asset.

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

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

No depreciation is provided on land and construction in progress.

Depreciation is included in determining income.

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

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

#### **6.8 Borrowing costs**

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

#### **6.9 Breeding stocks**

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

#### **6.10 Intangible assets**

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

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

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

#### Useful lives

Computer software	5 years
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#### **6.11 Leasehold right on building/Amortisation**

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

The amortisation expense are included in determining income.

#### **6.12 Related party transactions**

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

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

#### **6.13 Long-term leases**

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

#### **6.14 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

#### **6.15 Impairment of assets**

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

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

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

#### **6.16 Employee benefits**

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

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

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

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

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

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

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

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

#### **6.17 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.

#### **6.18 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

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

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

#### **7. 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.

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

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

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

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

#### **Intangible assets**

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

#### **Deferred tax**

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

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

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

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

#### **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.

### **8. Related party transactions**

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

(Unit: Thousand Baht)

	Consolidated		Separate		
	financial		financial		
	statements		statements		Transfer Pricing
	2013	2012	2013	2012	Policy
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	26,060	27,672	Gross profit of 7% - 15%
Rental income	-	-	124	78	Mutually agreed agreement
Service income	-	-	1,100	26	Agreed price
Sales of equipment and supplies	-	-	78	123	Agreed price
Dividend income	-	-	69,699	-	As declared
Interest income	-	-	4,073	2,309	MLR-1 per annum
Rental expenses	-	-	54	54	Mutually agreed agreement
Purchases of goods	-	-	281,149	254,354	Cost plus margin 5% - 20%
Purchases of equipment and supplies	-	-	64	232	Agreed price
Interest expenses	-	-	854	756	3% per annum

During the years, the Company recognised dividend received from its subsidiaries amount Baht 70 million to separate financial statements and eliminated from the consolidated financial statements. The Subsidiaries paid such dividend from their operating profit of the year 2012 which includes share premium on treasury stock amounting to Baht 38 million.

As at 31 December 2013 and 2012, the balances of the accounts between the Company and those related companies are as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Trade and other receivables</b> (Note 10)					
Subsidiaries		-	-	2,324	2,562
<b>Short-term loans to subsidiaries</b>					
Subsidiaries		-	-	72,011	80,000
<b>Trade and other payables</b> (Note 20)					
Subsidiaries		-	-	20,897	20,948
<b>Short-term loan from subsidiary</b>					
Subsidiary		-	-	26,000	50,000

Loans to subsidiaries and loans from subsidiary

As at 31 December 2013 and 2012, 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 31 December 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2013
Loans to related parties	Related by				
S. Pasusat Co., Ltd.	Subsidiary	30,000	25,000	(14,000)	41,000
Mahachai Food Processing Co., Ltd.	Subsidiary	50,000	49,000	(70,000)	29,000
S. Khonkaen Foods (Netherlands)			2,011	-	
B.V.	Subsidiary	-			2,011
Total		80,000	76,011	(84,000)	72,011

		(Unit: Thousand Baht)			
		Separate financial statements			
		Balance as at 31 December 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2013
Loan from a related party	Related by				
S.K.K. Food Company Limited	Subsidiary	50,000	26,000	(50,000)	26,000

#### Directors and management's benefits

During the year ended 31 December 2013 and 2012, 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	
	2013	2012	2013	2012
Short-term employee benefits	71,579	67,394	56,404	51,984
Post-employment benefits	2,845	1,620	2,005	1,324
Total	74,424	69,014	58,409	53,308

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 30.3 (3) to the financial statements.

#### **9. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash	661	296	312	109
Bank deposits	26,480	29,905	1,559	958
Total	27,141	30,201	1,871	1,067

As at 31 December 2013, bank deposits in saving accounts carried interests between 0.10 and 1.75 percent per annum (2012: between 0.125 and 2.25 percent per annum).

# 10. Trade and other receivables

		(Unit: Thousand Baht)	
		Consolidated	Separate
		financial statements	financial statements
		2013	2012
<u>Trade receivables - related parties</u>			
Aged on the basis of due dates			
Not yet due	-	-	1,783
Total trade receivables - related parties	-	-	1,783
<u>Trade receivables - unrelated parties</u>			
Aged on the basis of due dates			
Not yet due	255,729	263,010	249,548
Past due			
Up to 3 months	33,321	20,476	22,587
3 - 6 months	1,106	4	1,106
6 - 12 months	34	-	34
Over 12 months	-	467	-
Total	290,190	283,957	273,275
Less: Allowance for doubtful debts	-	(500)	-
Total trade receivables - related parties, net	290,190	283,457	273,275
Total trade receivables, net	290,190	283,457	275,058
<u>Other receivables</u>			
Advances - related party	-	-	83
Interest receivable - related party	-	-	458
Advance to employees	1,416	761	1,416
Others	5,660	11,419	5,266
Total other receivables	7,076	12,180	7,223
Total trade and other receivables - net	297,266	295,637	282,281

The Company transferred rights of claim totaling Baht 28 million to financial institution to secure short-term loan (2012: Baht 98 million).

## 11. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventory-net	
	2013	2012	2013	2012	2013	2012
Raw materials and packing materials	90,959	81,408	(6,794)	(427)	84,165	80,981
Finished goods	47,048	47,773	(191)	-	46,857	47,773
Work in process	209	-	-	-	209	-
Plant during crop	491	659	-	-	491	659
Breeding stocks during feeding	35,794	31,140	-	-	35,794	31,140
Total	174,501	160,980	(6,985)	(427)	167,516	160,553

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventory-net	
	2013	2012	2013	2012	2013	2012
Raw materials and packing materials	58,533	60,685	(6,794)	(427)	51,739	60,258
Finished goods	45,051	43,580	(191)	-	44,860	43,580
Work in process	209	-	-	-	209	-
Total	103,793	104,265	(6,985)	(427)	96,808	103,838

## 12. Restricted bank deposits

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

### 13. 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	
	2013	2012	2013	2012	2013	2012	2013	2012
			Percent	Percent				
S. Pasusat Co., Ltd.	45	45	100	100	44,968	44,968	-	-
S.K.K. Food Co., Ltd.	120	120	99	99	119,225	119,225	49,841	-
Mahachai Food Processing Co., Ltd.	85	85	99	99	127,992	127,992	19,858	-
S. Khonkaen Foods (Netherlands) B.V.	4	-	100	100	4	-	-	-
Total					292,189	292,185	69,699	-

During the fourth quarter of current year, the Company invests in ordinary shares of S. Khonkaen Foods (Netherlands) B.V., which operates in distribution for Traditional Thai Foods products under S. Khonkaen brand through European Union country and United Kingdom. This company has registered share capital of Euro 100. The Company holds 100% of its share capital. Therefore, such company is concern as a subsidiary of the Company.

### 14. Investment properties

The net book value of investment properties as at 31 December 2013 and 2012 is presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<b>Land awaiting for development</b>				
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	332,089	332,089	62,530	62,530

The fair value of the investment properties as at 31 December 2013 and 2012 stated below:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
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 2013, the Company and its subsidiaries have mortgaged a plot of land with a net book value of Baht 168 million (2012: Baht 192 million) with financial institutions to secure against loans of the Company and its subsidiaries (Separate financial statements: Baht 62 million, 2012: Baht 62 million).

# 15. Breeding stocks

(Unit: Thousand Baht)

## Consolidated financial statements

	Sows	Boars	Total
<b>Cost:</b>			
1 January 2012	14,165	440	14,605
Transfers in/purchase	5,518	359	5,877
Disposals/transfers	-7,317	-189	-7,506
31 December 2012	12,366	610	12,976
Transfers in/purchase	4,939	232	5,171
Disposals/transfers	-5,420	-244	-5,664
31 December 2013	11,885	598	12,483
<b>Accumulated depreciation:</b>			
1 January 2012	-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
Depreciation for the year	-4,183	-176	-4,359
Depreciation on disposals	4,335	175	4,510
31 December 2013	-4,646	-188	-4,834

(Unit: Thousand Baht)

## Consolidated financial statements

	Sows	Boars	Total
<b>Net book value:</b>			
1 January 2012	7,117	293	7,410
31 December 2012	7,568	423	7,991
31 December 2013	7,239	410	7,649
<b>Depreciation for the year (included in cost of sales in fully amount)</b>			
2012			4,670
2013			4,359

## 16. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
<b>Cost / Revalued amount:</b>							
1 January 2012	164,416	232,960	271,238	46,285	43,284	9,004	767,187
Additions	28,748	4,515	9,952	3,392	4,611	29,660	80,878
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	246,989	289,339	56,029	47,824	9,412	845,588
Additions	6,779	3,478	9,271	2,933	7,836	60,192	90,489
Disposals	-	(36)	(440)	(26)	(2,782)	-	(3,284)
Write-off	-	-	-	(2,458)	-	(60)	(2,518)
Transfers	-	11,378	6,743	143	1,050	(19,314)	-
Adjustment	(770)	3,985	-	(3,985)	-	728	(42)
31 December 2013	202,004	265,794	304,913	52,636	53,928	50,958	930,233
<b>Accumulated depreciation:</b>							
1 January 2012	(3,108)	(142,525)	(209,986)	(34,412)	(24,383)	-	(414,414)
Depreciation for the year	(552)	(12,936)	(20,039)	(3,506)	(6,137)	-	(43,170)
Depreciation on disposals/donations	-	30	1,541	699	43	-	2,313
31 December 2012	(3,660)	(155,431)	(228,484)	(37,219)	(30,477)	-	(455,271)
Depreciation for the year	(742)	(13,856)	(13,548)	(4,491)	(7,426)	-	(40,063)
Depreciation on disposals	-	15	438	26	2,195	-	2,674
Depreciation on write-off	-	-	-	986	-	-	986
Adjustment	42	-	-	-	-	-	42
31 December 2013	(4,360)	(169,272)	(241,594)	(40,698)	(35,708)	-	(491,632)
<b>Allowance for impairment loss:</b>							
1 January 2012	(6,977)	-	-	-	-	-	(6,977)
31 December 2012	(6,977)	-	-	-	-	-	(6,977)
31 December 2013	(6,977)	-	-	-	-	-	(6,977)
<b>Net book value:</b>							
1 January 2012	154,331	90,435	61,252	11,873	18,901	9,004	345,796
31 December 2012	185,358	91,558	60,855	18,810	17,347	9,412	383,340
31 December 2013	190,667	96,522	63,319	11,938	18,220	50,958	431,624
<b>Depreciation for the year</b>							
2012 (Baht 26 million included in manufacturing cost, and the balance in selling and administrative expenses)							43,170
2013 (Baht 19 million included in manufacturing cost, and the balance in selling and administrative expenses)							40,063

(Unit: Thousand Baht)

## Separate financial statements

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
<b>Cost / Revalued amount:</b>							
1 January 2012	130,692	117,556	188,572	36,422	23,825	8,449	505,516
Additions	-	2,253	6,207	2,968	3,624	21,198	36,250
Disposals	-	(141)	(1,550)	(243)	(71)	-	(2,005)
Transfers	-	7,231	8,952	7,053	-	(23,236)	-
31 December 2012	130,692	126,899	202,181	46,200	27,378	6,411	539,761
Additions	-	1,135	6,180	2,541	3,832	12,155	25,843
Disposals	-	-	(20)	(23)	(410)	-	(453)
Write-off	-	-	-	(2,458)	-	-	(2,458)
Transfers	-	7,403	4,468	143	-	(12,014)	-
Adjustment	-	3,985	-	(3,985)	-	-	-
31 December 2013	130,692	139,422	212,809	42,418	30,800	6,552	562,693
<b>Accumulated depreciation:</b>							
1 January 2012	-	(72,014)	(150,206)	(26,404)	(12,293)	-	(260,917)
Depreciation for the year	-	(6,601)	(14,354)	(2,856)	(3,621)	-	(27,432)
Depreciation on disposals	-	30	1,528	243	43	-	1,844
31 December 2012	-	(78,585)	(163,032)	(29,017)	(15,871)	-	(286,505)
Depreciation for the year	-	(7,092)	(9,217)	(3,816)	(4,358)	-	(24,483)
Depreciation on disposals	-	-	17	22	410	-	449
Depreciation on write-off	-	-	-	986	-	-	986
31 December 2013	-	(85,677)	(172,232)	(31,825)	(19,819)	-	(309,553)
<b>Allowance for impairment loss:</b>							
1 January 2012	(6,977)	-	-	-	-	-	(6,977)
31 December 2012	(6,977)	-	-	-	-	-	(6,977)
31 December 2013	(6,977)	-	-	-	-	-	(6,977)
<b>Net book value:</b>							
1 January 2012	123,715	45,542	38,366	10,018	11,532	8,449	237,622
31 December 2012	123,715	48,314	39,149	17,183	11,507	6,411	246,279
31 December 2013	123,715	53,745	40,577	10,593	10,981	6,552	246,163
<b>Depreciation for the year</b>							
2012 (Baht 13 million included in manufacturing cost, and the balance in selling and administrative expenses)							27,432
2013 (Baht 9 million included in manufacturing cost, and the balance in selling and administrative expenses)							24,483

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 2013 and 2012 would have been as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Land	73,272	73,272	32,983	32,983

As at 31 December 2013, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to approximately Baht 300 million (2012: Baht 299 million) (Separate financial statements: Baht 223 million, 2012: Baht 226 million).

During the year 2013, a subsidiary included borrowing costs in the cost of assets amounting to Baht 1.2 million with capitalisation rate of 7% (2012: None).

As at 31 December 2013, the Company and its subsidiaries have equipment acquired under financial lease agreement, with net book value amounting to approximately Baht 11 million (2012: Baht 12 million) (Separate financial statements: Baht 5 million, 2012: Baht 8 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 2013 of Baht 166 million as collateral for credit facilities granted by commercial banks (2012: Baht 174 million) (Separate financial statements: Baht 133 million, 2012: Baht 138 million).

#### 17. Leasehold right on buildings

	(Unit: Thousand Baht)	
	Consolidated/ Separate financial statements	
	2013	2012
Warehouse	7,822	7,822
Area in shopping center for Zaap Express	4,855	4,855
Total	12,677	12,677
Less: Accumulated amortisation	(8,571)	(7,391)
Leasehold rights - net	4,106	5,286
Amortisation expenses for the year	1,180	1,041

## 18. Intangible assets

The net book value of intangible assets as at 31 December 2013 and 2012 is presented below.

(Unit: Thousand Baht)

	Computer software	
	Consolidated financial statements	Separate financial statements
<b>Cost:</b>		
	21,023	20,280
Additions	5,120	5,120
31 December 2012	26,143	25,400
Additions	2,629	2,629
	28,772	28,029
<b>Accumulated amortisation:</b>		
1 January 2012	(7,557)	(7,360)
Amortisation for the year	(559)	(483)
	(8,116)	(7,843)
Amortisation for the year	(1,835)	(1,758)
31 December 2013	(9,951)	(9,601)
<b>Net book value:</b>		
	13,466	12,920
31 December 2012	18,027	17,557
	18,821	18,428
<b>Amortisation for the year</b>		
2012	559	483
2013	1,835	1,758

**19. Bank overdrafts and short-term loans from financial institutions**

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2013	2012	2013	2012
Bank overdrafts	6.75 - 8.125	34,743	47,686	13,077	29,652
Short-term loans from financial institutions	4.38 - 6.98	290,583	268,702	260,583	268,702
Total		<u>325,326</u>	<u>316,388</u>	<u>273,660</u>	<u>298,354</u>

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

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

**20. Trade and other payables**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Trade payables - related parties	-	-	20,830	20,810
Trade payables - unrelated parties	112,911	117,951	77,106	79,289
Advance received from related parties	-	-	-	11
Interest payables - related parties	-	-	67	127
Accrued sale promotion	49,563	41,477	49,563	41,477
Accrued expenses	19,693	22,130	11,682	14,934
Others	556	408	27	27
Total trade and other payables	<u>182,723</u>	<u>181,966</u>	<u>159,275</u>	<u>156,675</u>

**21. Liabilities under finance lease agreements**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Liabilities under finance lease	8,597	9,900	4,851	7,541
Less: Deferred interest expense	(769)	(926)	(319)	(709)
Total	7,828	8,974	4,532	6,832
Less: Portion due within one year	(4,060)	(3,745)	(2,941)	(2,307)
Liabilities under finance lease agreement - net of current portion	3,768	5,229	1,591	4,525

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

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	As at 31 December 2013		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	4,506	4,091	8,597
Deferred interest expenses	(446)	(323)	(769)
Present value of future minimum lease payments	4,060	3,768	7,828

(Unit: Thousand 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: Thousand Baht)

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

(Unit: Thousand Baht)

	Separate financial statements		
	As at 31 December 2012		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	2,698	4,843	7,541
Deferred interest expenses	(391)	(318)	(709)
Present value of future minimum lease payments	2,307	4,525	6,832

## 22. Long-term loans

As at 31 December 2013 and 2012, long-term loans presented below: -

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Loans from banks	107,804	92,751	33,469	52,561
Less: Current portion of long-term loans	(30,155)	(29,772)	(16,463)	(19,092)
Net	77,649	62,979	17,006	33,469

Movements in the long-term loans account during the years ended 31 December 2013 and 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2012	55,205	55,205
Add: Additional borrowings	62,102	14,792
Less: Repayment	(24,556)	(17,436)
Balance as at 31 December 2012	92,751	52,561
Add: Additional borrowings	82,500	-
Less: Repayment	(67,447)	(19,092)
Balance as at 31 December 2013	107,804	33,469

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

Company's name	Balance of long-term loans		Interest rate per agreement		Condition of payment
	2013	2012	2013	2012	
	Thousand Baht	Thousand Baht	Percent per annum	Percent per annum	
S. Khonkaen Foods Plc.	1,000	3,400	Year 1-2 4.0 % Year 3-7 MLR	Year 1-2 4.0 % Year 3-7 MLR	Payment every three months started in June 2009
	18,750	26,250	MLR	MLR	Payment every month started in June 2010
	7,615	11,635	MLR	MLR	Payment every month started in June 2011
	2,491	6,211	MLR-0.5	MLR-0.5	Payment every month started in March 2012
	3,613	5,065	MLR-0.5	MLR-0.5	Payment every month started in June 2012
Mahachai Food Processing Co., Ltd.	-	23,970	-	MLR	Payment every month started in May 2012
	39,440	-	MLR	-	Payment every month started in May 2013
	11,500	-	MLR-1.5	-	Payment every month started in December 2015
S. Pasusat Co., Ltd.	-	16,220	-	MLR	Payment every month started in May 2012
	23,395	-	Year 1 MLR-1 Year 2-6 MLR	-	Payment every month started in July 2013
Total	107,804	92,751			

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 2013, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 187.2 million (2012: Baht 53.6 million) (Separate financial statement: Baht 70.5 million, 2012: Baht 46.4 million).

### 23. 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	
	2013	2012	2013	2012
<b>Defined benefit obligation at beginning of year</b>				
	32,899	33,786	17,829	21,866
Current service cost	3,229	2,606	1,920	1,870
Interest cost	1,507	1,143	826	798
Benefits paid during the year	(1,570)	(732)	(1,335)	(532)
Actuarial gain	-	(3,904)	-	(6,172)
<b>Provisions for long-term employee benefits at end of year</b>	<b>36,065</b>	<b>32,899</b>	<b>19,240</b>	<b>17,830</b>

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Current service cost	3,229	2,606	1,920	1,870
Interest cost	1,507	1,143	826	798
<b>Total expense recognized in profit or loss</b>	<b>4,736</b>	<b>3,749</b>	<b>2,746</b>	<b>2,668</b>

Line items under which such expenses are included in profit or loss

Selling and administrative expenses	4,736	3,749	2,746	2,668
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Total actuarial gains and losses recognised in the other comprehensive income of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 3.9 million (The Company only: Baht 6.2 million).

Principal actuarial assumptions at the valuation date were as follows.

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.13 - 4.18	4.13 - 4.18	4.18	4.18
Future salary increase rate	4.16 - 8.51	4.16 - 8.51	4.16 - 8.51	4.16 - 8.51
Staff turnover rate (depending on age)	0.00 - 79.00	0.00 - 79.00	0.00 - 79.00	0.00 - 79.00

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

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2013	36,065	19,240	-	-
Year 2012	32,899	17,830	3,907	1,776
Year 2011	33,786	21,866	-	-
Year 2010	30,163	19,435	-	-

#### 24. 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.

## 25. Expenses by nature

Significant expenses by nature are as follow:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Salary and wages and other employee benefits	355,975	324,312	238,366	218,715
Depreciation and amortisation	43,080	44,770	27,422	28,956
Rental expenses from operating lease agreements	22,601	19,588	20,991	18,129
Raw materials and consumables used	1,056,418	928,257	824,194	708,008
Changes in inventories of finished goods and work in process	(4,137)	7,870	(1,679)	3,498

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

Income tax expenses for the year ended 31 December 2013 and 2012 are made up as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
	(Restated)		(Restated)	
<b>Current income tax:</b>				
Current income tax charge	23,585	36,031	11,824	22,842
Adjustment in respect of current income tax of previous year	68	-	68	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	744	(2,731)	(630)	186
Effects of changes in the applicable tax rates	-	657	-	198
<b>Income tax expenses reported in profit or loss</b>	<b>24,397</b>	<b>33,957</b>	<b>11,262</b>	<b>23,226</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

		(Unit: Thousand Baht)	
		Consolidated	Separate
		financial statements	financial statements
		2013	2012
		(Restated)	(Restated)
Deferred tax relating to provision of employee benefit		-	(1,234)
		-	(1,234)

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012

		(Unit: Thousand Baht)	
		Consolidated	Separate
		financial statements	financial statements
		2013	2012
		(Restated)	(Restated)
Accounting profit before tax		116,189	129,542
Applicable tax rate		20%	23%
Accounting profit before tax multiplied by applicable tax rate		23,238	29,795
Adjustment in respect of current income tax of previous year		68	-
Effects of changes in the applicable tax rates		-	657
Effects of:			
Non-deductible expenses		1,787	1,694
Additional expense deductions allowed		(1,065)	(2,615)
Exempted revenue		-	-
Others		369	4,426
Total		1,091	3,505
Income tax expenses reported in the income statement		24,397	33,957

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

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31	31		31	31	
	December	December	1 January	December	December	1 January
	2013	2012	2012	2013	2012	2012
		(Restated)			(Restated)	
<b>Deferred tax assets</b>						
Allowance for doubtful accounts	-	256	256	-	256	256
Allowance for diminution in value of inventories	1,398	85	1,462	1,398	85	881
Impairment on investment property	5,220	5,220	5,220	3,948	3,948	3,948
Impairment on fixed assets	1,717	1,717	1,717	1,717	1,717	1,717
Impairment on investment	392	392	392	392	392	392
Difference depreciation of breeding	384	399	-	-	-	-
Provision for long-term employee benefits	7,213	6,580	6,779	3,848	3,567	4,389
Unused tax loss	1,091	2,404	-	-	-	-
Total	17,415	17,053	15,826	11,303	9,965	11,583

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31	31		31	31	
	December	December	1 January	December	December	1 January
	2013	2012	2012	2013	2012	2012
		(Restated)			(Restated)	
<b>Deferred tax liabilities</b>						
Cost of swine	142	135	201	-	-	-
Difference depreciation of machinery and equipment	1,099	-	-	708	-	-
Unrealised gain from revaluation of land	22,171	22,171	22,171	19,542	19,542	19,542
Total	23,412	22,306	22,372	20,250	19,542	19,542

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

## 27. Basic earnings per share

### Consolidated

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

### Separate financial statements

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

Basic earnings per share are calculated as follow:

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Profit attributable to equity holder of the parent (Baht)	91,598,225	95,166,490	113,774,255	78,341,701
Weighted average number of ordinary shares (shares)	24,255,000	19,286,791	24,255,000	19,836,967
Earnings per share (Baht/share)	3.78	4.93	4.69	3.95

## 28. Financial information by segment

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

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

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

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

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

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

The following table present revenue, profit, total assets and total liabilities information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2013 and 2012, respectively.

(Unit: Thousand Baht)

	Production and distribution of processed food from pork		Production and distribution of processed seafood		Breeding and sales of finishing swine		Purchase and distribution of processed products		Total segments		Adjustments and elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue from external customers	1,420,110	1,330,577	2,509	2,154	162,447	153,501	407,897	336,698	1,992,963	1,822,930	-	-	1,992,963	1,822,930
Inter-segment revenue	26,051	27,666	591,814	503,480	-	-	-	-	617,865	531,146	(617,865)	(531,146)	-	-
Interest revenue	4,338	2,375	-	6	8	6	853	1,419	5,199	3,806	(4,926)	(3,065)	273	741
Interest expense	16,047	19,962	4,440	4,463	3,595	2,576	109	1,389	24,191	28,390	(4,926)	(3,065)	19,265	25,325
Depreciation and amortisation	27,422	28,956	7,117	8,396	7,183	6,160	1,357	1,258	43,079	44,770	(43)	-	43,036	44,770
Sale promotion expenses	102,805	112,371	-	-	-	-	359	143	103,164	112,514	-	-	103,164	112,514
Income tax expenses	11,262	23,226	4,180	7,185	1,309	(2,301)	7,646	17,064	24,397	45,174	-	(11,217)	24,397	33,957
<b>Segment profit</b>	91,794	78,342	15,744	23,891	4,775	(9,605)	27,769	58,131	140,082	150,759	(48,289)	(55,174)	91,793	95,585
<b>Segment total assets</b>														
Investment property	62,530	62,530	106,022	106,022	-	-	163,537	163,537	332,089	332,089	-	-	332,089	332,089
Property, plant and equipment	246,163	246,279	112,561	80,539	67,124	49,496	5,971	7,026	431,819	383,340	(195)	-	431,624	383,340
<b>Segment total liabilities</b>														
Bank overdrafts and short-term loans from financial institutions	273,660	298,354	46,054	11,843	4,774	5,485	10,202	8,302	334,690	324,014	(9,364)	(7,626)	325,326	316,388
Long-term loans	33,469	52,561	50,940	23,970	23,395	16,220	-	-	107,804	92,751	-	-	107,804	92,751

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

(Unit: Thousand Baht)

	2013	2012
Revenue from external customers		
Asia market	1,937,066	1,778,785
America market	21,280	15,773
Europe market	34,617	28,372
Total	1,992,963	1,822,930

Major customers

For the year 2013, the Company and its subsidiaries have revenue from two major customers in amount of Baht 457 million and Baht 304 million, arising from sales by production and distribution of processed food from pork segment (2012: Baht 398 million and Baht 327 million derived from same segment).

## 29. Dividends

The Company declared dividends in the years 2013 and 2012 as follows.

(Unit: Thousand Baht)

	Approved by	Total dividends	Dividend per share
Dividend for 2012	Annual General Meeting of the shareholders on 29 April 2013	58,940	2.43
Dividend for 2011	Annual General Meeting of the shareholders on 2 April 2012	72,765	3.00

## 30. Commitments and contingent liabilities

### 30.1 Capital commitments

As at 31 December 2013, the Company and its subsidiaries had capital commitments approximately Baht 86 million relating to the construction of factory building (2012: Baht 7 million) (Separate financial statements: Baht 3 million, 2012: Baht 6 million).

### 30.2 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		Separate financial	
	statements		statements	
	2013	2012	2013	2012
Payable:				
In up to 1 year	28,537	21,974	20,242	15,467
In over 1 year and up to 5 years	14,726	14,631	13,869	13,896
In over 5 years	1,107	3,307	1,107	3,307

### 30.3 Guarantees

- (1) The subsidiaries have pledged their bank deposits of approximately Baht 0.2 million (2012: Baht 0.2 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) As at 31 December 2013 and 2012, the Company has the following obligations in respect of guarantees provided to banks for loans facilities:-

) Unit: Million Baht(

Guarantor	Guarantee	As at 31 December	
		2013	2012
S. Khonkaen Foods Plc.	S. Pasusat Co., Ltd.	42	32
	S.K.K. Food Co., Ltd.	60	61
	Mahachai Food Processing Co., Ltd.	120	91
<b>Total</b>		<b>222</b>	<b>184</b>

- (4) As at 31 December 2013, there were outstanding consolidated bank guarantees of approximately Baht 4 million issued by the banks on behalf of the Company and its subsidiaries in respect of guarantees for electricity use (2012: Baht 3 million) (Separate financial statements: Baht 3 million, 2012: Baht 2 million).

### 31. Financial instruments

#### 31.1 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)	
	2013	2012	2013	2012
US dollar	91,933	128,291	32.6778	30.4857
HK dollar	1,759,596	2,971,541	4.2044	3.9207
Euro	-	21,251	-	48.9886

Foreign exchange contracts outstanding at 31 December 2013 are summarised below.

Foreign currency	Sold amount	Contractual exchange rate Sold	Contractual maturity date
(Baht per 1 foreign currency unit)			
USD	50,000	32.4400	20 June 2014
HKD	1,000,000	4.1550	3 March 2014
HKD	1,000,000	4.0700	20 May 2014
HKD	500,000	4.1600	20 June 2014

### 31.2 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.

### 32. 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 2013, the Group's debt-to-equity ratio was 1.14:1 (2012: 1.17:1) and the Company's was 0.94:1 (2012: 1.23:1).

### 33. Subsequent events

The meeting of the Company's Board of Directors held on 24 February 2014 passed a resolution as follows:

To pay dividends to the Company's shareholders from the operations for the year 2013. The Company will pay a cash dividend at Baht 2.43 per share, or equivalent to amount of not exceed Baht 58.94 million.

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

### 34. Reclassification

Except for the change in accounting policies as described in the Note 5, certain amounts in the statement of financial position as at 31 December 2012 and 1 January 2012 have been reclassified to conform to the current year's classification but with no effect to previously reported profit (loss) or shareholders' equity. The reclassifications are as follows:

(Unit: Thousand Baht)

	As at 31 December 2012			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<b>Statement of financial position</b>				
Trade and other receivables	295,637	293,301	284,423	282,478
Other current assets	9,951	12,287	4,229	6,175
Property plant and equipment	383,340	388,627	246,279	251,566
Leasehold right on buildings	5,286	-	5,286	-
Trade and other payables	181,966	117,951	156,675	100,237
Other current liabilities	11,274	75,750	8,030	64,468
Other non-current liabilities	462	-	-	-

(Unit: Thousand Baht)

	As at 1 January 2012			
	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As brought forward
<b>Statement of financial position</b>				
Trade and other receivables	287,561	284,304	276,996	274,504
Other current assets	8,332	11,589	4,703	7,195
Property plant and equipment	345,796	347,268	237,622	239,094
Leasehold right on buildings	1,472	-	1,472	-
Trade and other payables	182,830	126,916	171,447	122,691
Other current liabilities	10,094	66,689	7,774	56,530
Other non-current liabilities	681	-	-	-

### 35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2014.





“วันนี้เราอยากให้คุณให้กันมากขึ้น”

มอบสิ่งดีๆ ให้กันในทุกโอกาส  
ด้วยชุดของขวัญจาก ส. ขอนแก่น



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