



บริษัท ล้าสูง (ประเทศไทย) จำกัด (มหาชน)

**Lam Soon (Thailand) Public Company Limited**

**CORPORATE HEADQUARTERS**

64 Soi Bangna-Trad 25, Bangna,  
Bangkok 10260 Thailand

Tel +66-(0)2-361 8959 - 87

Fax (Mgmt) +66-(0)2-361 8988 - 89

Fax (Sales) +66-(0)2-361 8994 - 95

www.lamsoon.co.th

**August 11, 2016**

**Subject: To submit the Interim Management Discussion and Analysis  
For the three-month period ended 30 June, 2016**

**To: Directors and Managers of the Stock Exchange of Thailand**

Lam Soon (Thailand) Pcl. (LST) and its subsidiaries would like to inform the operating results for the three-month period ended 30 June, 2016, which had the Profit attributable to equity holders of the Company Baht 104 million, compared to the same period of 2015 with the net profit at Baht 130 million, decrease Baht 26 million or 20.3%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended 30 June, 2016.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)  
Managing Director

**CC: The Securities and Exchange Commission**

**REFINERY**

236 Moo 4 Bangpoo Industrial Estate,  
Sukhumvit Road, Phraekasa Sub-District,  
Muang District, Samutprakarn 10280  
Thailand

Tel +66-(0)2-709 3610 - 24  
Fax +66-(0)2-324 0640

**CRUSHING MILL**

99/9 Moo 2 Sikao-kuankun Road,  
Kalasae Sub-district, Sikao District,  
Trang 92150  
Thailand

Tel +66-(0)75-267 268 / 75  
Fax +66-(0)75-267 028 / 265



### **Q2/2016 Industry Overview**

In Q2/2016, the output of FFB in the Kingdom was much less than the same period of last year, and only 30% higher than Q1/2016. Despite the fact that it should have been the normal peak season of crop, there was the El Nino phenomenon which affected the output of palm crop dropping dramatically. The average FFB price in Q2/2016 then soared to 5.47 Baht/Kg. (Q2/2015 : 4.51 Baht/Kg.) and CPO price also increased to 33.90 Baht/Kg. (Q2/2015 : 26.58 Baht/Kg.). The price difference was as high as 11 Baht/Kg when compared with CPO price in global market even though the global CPO price was also higher caused by El Nino, making the average at 2,585 Ringgit/MT (Q2/2015 : 2,203 Ringgit/MT). As a consequence, the implementation of CPO export tax in Malaysia has been started in April 2016 at 5%, ending a duty free policy held since May 2015.

Nevertheless, earlier during the beginning of this year, the market expressed the concern that El Nino's dry weather effects would reduce global output by 2 – 3 million MT, pushing prices up to 3,000 Ringgit/MT by June. In fact, the actual price came out at 2,789 Ringgit/MT on 5 April 2016, the highest level in Q2/2016 proven that El Nino impact was not severe as expected. Furthermore, the low price of Soybean Oil caused by oversupply in global market was another factor pressing down CPO price not to climb up that much. Therefore, the uptrend price of CPO might be over-ripe and could decline during the last half of 2016 due to more output coming in when compared with the first half. The Malaysian government hence implemented Biodiesel B10 for transportation sector and B7 for industrial sector with effect from 1 June 2016 onwards, being quite suitable timing when June 2016 was the first month that Malaysia gained an increased palm oil stock since November 2015 to 1.78 million MT (June 2015 : 2.15 million MT). This could be presumed to have more demand absorbing the oversupply of palm oil and lasting until the crop peak season starting in September – October of each year.

### **Financial performance analysis and explanation**

Sales value for the three-month period ended 30 June 2016 of the Company decreased by 9.2% when compared with the same period of 2015. Cost of sale increased by 2.9%, while dividend income increased Baht 51 million. Therefore, Net profit for the period was increased by Baht 8 million or 9.3%.

During the period, the subsidiary (UPOIC) has adopted Accounting Standard : TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant which became effective for fiscal years beginning on or after 1 January 2016. This financial reporting has a significant impact on the Company's financial statements in that :

(1) It requires the Company to record biological assets from palm fruit on trees for the first time, measured at fair value less costs to sell.

(2) It requires a change in its accounting treatment for biological assets and agricultural produce, with palm nursery for sale and palm fresh fruit bunch, which were previously recognised at cost, being recognised at fair value less costs to sell.

The change has the effect of increasing the opening balance of retained earnings and equity attributable to non-controlling interests of the subsidiaries in the consolidated financial statements. The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

The overall processed FFB crop during the three-month period ended 30 June 2016 decreased by 29.1% compared to the same period of last year. Output from its own planted area decreased by 30.6% and concession area decreased by 27.7%. There were influenced by the drought continued; addition of 13,030 rai of concession areas, expired on 1 January 2015, the subsidiary has requested permission to

## Interim Management Discussion and Analysis For the three-month period ended 30 June 2016

---

serve in those areas with the relevant government agencies. On 27 April 2015, that subsidiary was granted a permission to pay official royalty fees at the rate of 10% of the market price of oil palm and forest maintenance fees at a rate of double the official royalty fees when harvested.

The subsidiary company decreased Out-grower crops by 41.3%, led to the total FFB crop dropped by 36.8% from 2015. As such, the total volume of FFB processed 58.4% was from FFB purchased and 41.6% from own estates (Q2/2015: 62.9% and 37.1%).

For its subsidiary UFC, sales value increased Baht 110 million or 20.6% and net profit for the period increased Baht 14 million or 24.2% from coconut juice.

As explained above, the net profit of equity holders of the Company on a consolidated basis for the three-month period ended 30 June 2016 was Baht 104 million, decreased by Baht 26 million or 20.3% (Q2/2015 : Baht 130 million). Net profit for the period was 4.9% (Q2/2015 : 6%).

Other major components and changes in consolidated financial statements are as follows:-

### 1. Revenues

**Sales :** Net Sales under LST and its subsidiaries for the three-month period ended 30 June 2016 decreased by Baht 19 million or 0.9% when compared with the same period last year. Sales of LST itself decreased by Baht 152 million or 9.2%, deriving from decrease in sales volume 17.9% while the average selling price increased 10.7%.

For its subsidiaries, net sales increased by Baht 133 million or 29.1% mainly from sales of coconut juice and sales of other palm products.

**Other income :** The Company and its subsidiaries have income other than those generated by normal operation Baht 20 million or 0.9% of total revenues.

### 2. Cost of sales and expenses

**Cost of sales :** The Company and its subsidiaries recorded cost of sales for the three-month period ended 30 June 2016 at 81.7% of total sales (Q2/2015 : 81.4%). Cost of sales under LST increased to 92.5% (Q2/2015 : 89.6%) because of CPO price rose 28.8% over the average selling price which increased 10.7%.

Plantation subsidiary UPOIC recorded cost of sales at 68.7% of total sales, dropped by 5.3% (Q2/2015 : 74%), since the price of FFB and CPO price increased.

Subsidiary UFC recorded cost of sales at 71.2% of total sales (Q2/2015 : 69.8%).

**Selling expenses :** The Company and its subsidiaries recorded selling expenses at Baht 169 million (Q2/2015 : Baht 177 million), a decrease of Baht 8 million; from goods transportation and promotion expenses.

**Administrative expenses :** Administrative expenses was Baht 49 million (Q2/2015 : Baht 53 million), decreasing by Baht 4 million, from public relations and staff cost of its subsidiaries.

**Loss arising from change in fair value of biological assets :** Adoption of Accounting Standard TAS 41 in 2016, the subsidiary (UPOIC) realized losses from the change in accounting for biological assets and agricultural produce of Baht 29 million.

**Finance cost :** Finance cost was recorded at Baht 11 million (Q2/2015 : Baht 11 million).

## Interim Management Discussion and Analysis For the three-month period ended 30 June 2016

---

### 3. Profits

**Gross profit (GP)** : GP reduced to 18.3% (Q2/2015 : 18.6%). For the Company itself, GP decreased by Baht 59 million as above reasons. While GP of its subsidiaries increased Baht 48 million; the GP of the Company and its subsidiaries decreased by Baht 11 million or 2.8%.

**Net profit** : The net profit attributable to equity holders of the Company for the three-month period ended 30 June 2016 was Baht 104 million (Q2/2015 : Baht 130 million) decreased by Baht 26 million or 20.3%, with net profit of 4.9% (Q2/2015 : 6%).