

Lam Soon (Thailand) Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2017

## **Independent Auditor's Report**

To the Shareholders of Lam Soon (Thailand) Public Company Limited

### **Opinion**

I have audited the accompanying consolidated financial statements of Lam Soon (Thailand) Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Lam Soon (Thailand) Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

#### *Revenue recognition*

Sales of goods are significant accounting transactions as they represent material amounts in the financial statements and directly affect profit or loss of the Group. In addition, the sales transactions of the Group are made with a large number of customers such as traditional trade customers, modern trade customers and overseas customers, pertaining to matters such as sale promotions, discounts and special discounts to boost sales. As a result, the Group's recognition of revenue from sales and recording of sale promotions and discounts are complex. I therefore focused my audit on the revenue recognition of the Group.

I examined the Group's revenue recognition by assessing and testing the Group's IT system and internal controls with respect to the revenue cycle by making enquiries of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I applied a sampling method to select sales transactions occurring during the year and near the end of the accounting period to examine the supporting documents and reviewed credit notes that the Group issued after the period-end. I also performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

#### *Impairment of goodwill*

I have focused my audit on the impairment of goodwill, as disclosed in Note 11.2 to the financial statements, because the assessment of impairment of goodwill is a significant accounting estimate requiring management to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate. There are thus risks with respect to the amount of goodwill.

I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised. In addition, I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the average costs of the Group and of the industry, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosure made with respect to impairment assessment for goodwill.

*The fair value measurement of biological assets - palm fruit on trees*

As disclosed in Note 4.11 and Note 10 to the financial statements, the subsidiary records biological assets - palm fruit on trees at their fair value less point of harvest cost to sell. The measurement of fair value of biological assets - palm fruit on trees requires the estimating data and assumptions consisting of the estimated harvesting volume and selling price at each point of harvest, considering that they are appropriate and correspond to the nature and circumstances of the biological asset being measured, based on the exercise of the judgement of an internal agriculture expert and management as to the basis and assumptions relevant to the estimations. There may be a risk with respect to the value of biological assets. Thus, I have focused my audit on the fair value measurement of biological assets - palm fruit on trees.

In order to audit this matter, I gained an understanding of, assessed and tested controls of the Group related to the fair value estimation of the biological assets, considered the estimating data preparation, assumptions defining and the valuation method applied by management of the Group. I assessed the estimating data and assumptions used in the valuation by making enquiries of the internal agriculture expert and management, comparing the data used by the Group with historical data, and testing the calculation. Moreover, I reviewed the disclosure made in the notes to the financial statements.

## **Other Information**

Management is responsible for the other information. The other information comprises the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

EY Office Limited  
Bangkok: 23 February 2018

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2017

(Unit: Baht)

|                                     | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|-------------------------------------|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                     |      | As at                             | As at                | As at                         | As at                |
|                                     |      | 31 December 2017                  | 31 December 2016     | 31 December 2017              | 31 December 2016     |
| <b>Assets</b>                       |      |                                   |                      |                               |                      |
| <b>Current assets</b>               |      |                                   |                      |                               |                      |
| Cash and cash equivalents           | 7    | 414,143,448                       | 420,385,408          | 143,989,247                   | 130,745,424          |
| Trade and other receivables         | 6, 8 | 1,105,297,877                     | 911,801,125          | 956,093,207                   | 784,831,288          |
| Short-term loans to related parties | 6    | -                                 | -                    | -                             | -                    |
| Inventories                         | 9    | 1,452,461,603                     | 1,425,890,929        | 922,674,753                   | 915,168,224          |
| Biological assets                   | 10   | 70,616,396                        | 83,546,770           | -                             | -                    |
| Other current assets                |      | 35,673,875                        | 38,379,436           | 9,063,835                     | 13,977,543           |
| <b>Total current assets</b>         |      | <b>3,078,193,199</b>              | <b>2,880,003,668</b> | <b>2,031,821,042</b>          | <b>1,844,722,479</b> |
| <b>Non-current assets</b>           |      |                                   |                      |                               |                      |
| Investments in subsidiaries         | 11   | -                                 | -                    | 1,312,870,944                 | 1,312,870,944        |
| Investment in joint venture         | 12   | 31,594,398                        | 42,353,381           | -                             | -                    |
| Investment in associated company    | 13   | -                                 | -                    | -                             | -                    |
| Other long-term investments         | 14   | 1,001,790                         | 1,649,223            | 1,001,790                     | 1,649,223            |
| Long-term loans to other companies  | 15   | 21,160,000                        | 60,480,000           | -                             | -                    |
| Investment properties               | 16   | 63,690,592                        | 64,353,903           | 5,614,752                     | 5,617,613            |
| Property, plant and equipment       | 17   | 2,350,500,070                     | 2,413,746,784        | 813,875,098                   | 868,594,589          |
| Cost of palm plantation             | 18   | 230,930,888                       | 214,977,626          | 201,000                       | 212,765              |
| Goodwill                            | 11   | 196,376,189                       | 196,376,189          | -                             | -                    |
| Intangible assets                   | 19   | 10,283,172                        | 8,696,997            | 5,443,899                     | 5,364,728            |
| Deferred tax assets                 | 28   | 52,013,501                        | 36,895,928           | 17,941,794                    | 8,663,054            |
| Other non-current assets            |      | 4,536,128                         | 28,227,634           | 485,236                       | 485,236              |
| <b>Total non-current assets</b>     |      | <b>2,962,086,728</b>              | <b>3,067,757,665</b> | <b>2,157,434,513</b>          | <b>2,203,458,152</b> |
| <b>Total assets</b>                 |      | <b>6,040,279,927</b>              | <b>5,947,761,333</b> | <b>4,189,255,555</b>          | <b>4,048,180,631</b> |

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



Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2017

(Unit: Baht)

|                                                                        | Note  | Consolidated financial statements |                      | Separate financial statements |                      |
|------------------------------------------------------------------------|-------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                                                        |       | As at                             | As at                | As at                         | As at                |
|                                                                        |       | 31 December 2017                  | 31 December 2016     | 31 December 2017              | 31 December 2016     |
| <b>Liabilities and shareholders' equity</b>                            |       |                                   |                      |                               |                      |
| <b>Current liabilities</b>                                             |       |                                   |                      |                               |                      |
| Short-term loans from financial institutions                           | 20    | 1,480,000,000                     | 1,555,000,000        | 570,000,000                   | 530,000,000          |
| Trade and other payables                                               | 6, 21 | 495,365,164                       | 527,516,444          | 472,608,013                   | 474,639,640          |
| Short-term loan from related party                                     |       | -                                 | -                    | -                             | -                    |
| Current portion of long-term loans                                     | 23    | 103,000,000                       | 103,000,000          | 78,000,000                    | 78,000,000           |
| Current portion of liabilities under<br>finance lease agreements       | 24    | 573,000                           | 573,000              | -                             | -                    |
| Income tax payable                                                     |       | 27,695,240                        | 47,436,257           | 14,644,781                    | 7,235,278            |
| Other current liabilities                                              | 22    | 40,521,823                        | 25,650,315           | 16,849,591                    | 7,992,875            |
| <b>Total current liabilities</b>                                       |       | <b>2,147,155,227</b>              | <b>2,259,176,016</b> | <b>1,152,102,385</b>          | <b>1,097,867,793</b> |
| <b>Non-current liabilities</b>                                         |       |                                   |                      |                               |                      |
| Long-term loans - net of current portion                               | 23    | 30,513,147                        | 133,513,147          | 18,013,147                    | 96,013,147           |
| Liabilities under finance lease<br>agreements - net of current portion | 24    | 383,493                           | 832,983              | -                             | -                    |
| Provision for long-term employee benefits                              | 25    | 132,338,091                       | 56,477,335           | 70,805,647                    | 24,931,630           |
| Deferred tax liabilities                                               | 28    | -                                 | 5,463,169            | -                             | -                    |
| <b>Total non-current liabilities</b>                                   |       | <b>163,234,731</b>                | <b>196,286,634</b>   | <b>88,818,794</b>             | <b>120,944,777</b>   |
| <b>Total liabilities</b>                                               |       | <b>2,310,389,958</b>              | <b>2,455,462,650</b> | <b>1,240,921,179</b>          | <b>1,218,812,570</b> |

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

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**

**Statements of financial position (continued)**

**As at 31 December 2017**

(Unit: Baht)

|                                                   | Consolidated financial statements |                      | Separate financial statements |                      |                      |
|---------------------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|----------------------|
|                                                   | As at                             | As at                | As at                         | As at                |                      |
|                                                   | Note                              | 31 December 2017     | 31 December 2016              | 31 December 2017     | 31 December 2016     |
| <b>Shareholders' equity</b>                       |                                   |                      |                               |                      |                      |
| Share capital                                     |                                   |                      |                               |                      |                      |
| Registered                                        |                                   |                      |                               |                      |                      |
| 820,000,000 ordinary shares of Baht 1 each        |                                   | 820,000,000          | 820,000,000                   | 820,000,000          | 820,000,000          |
| Issued and fully paid-up                          |                                   |                      |                               |                      |                      |
| 820,000,000 ordinary shares of Baht 1 each        |                                   | 820,000,000          | 820,000,000                   | 820,000,000          | 820,000,000          |
| Share premium                                     |                                   | 241,970,265          | 241,970,265                   | 241,970,265          | 241,970,265          |
| Other surpluses (deficits)                        |                                   |                      |                               |                      |                      |
| Premium on treasury stock                         |                                   | 5,269,100            | 5,269,100                     | 5,269,100            | 5,269,100            |
| Deficit on changes in shareholding in subsidiary  |                                   | (6,579,077)          | (6,579,077)                   | -                    | -                    |
| Retained earnings                                 |                                   |                      |                               |                      |                      |
| Appropriated - statutory reserve                  | 26                                | 114,755,441          | 107,472,798                   | 82,000,000           | 82,000,000           |
| Unappropriated                                    |                                   | 2,218,553,493        | 1,966,151,096                 | 1,799,512,318        | 1,680,808,056        |
| Other components of shareholders' equity          |                                   | (417,307)            | (679,360)                     | (417,307)            | (679,360)            |
| Equity attributable to owners of the Company      |                                   | 3,393,551,915        | 3,133,604,822                 | 2,948,334,376        | 2,829,368,061        |
| Non-controlling interests of the subsidiaries     |                                   | 336,338,054          | 358,693,861                   | -                    | -                    |
| <b>Total shareholders' equity</b>                 |                                   | <b>3,729,889,969</b> | <b>3,492,298,683</b>          | <b>2,948,334,376</b> | <b>2,829,368,061</b> |
| <b>Total liabilities and shareholders' equity</b> |                                   | <b>6,040,279,927</b> | <b>5,947,761,333</b>          | <b>4,189,255,555</b> | <b>4,048,180,631</b> |

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

Directors

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2017

(Unit: Baht)

|                                                                                                           | Note  | Consolidated financial statements |                      | Separate financial statements |                      |
|-----------------------------------------------------------------------------------------------------------|-------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                                                                                           |       | 2017                              | 2016                 | 2017                          | 2016                 |
| <b>Profit or loss:</b>                                                                                    |       |                                   |                      |                               |                      |
| <b>Revenues</b>                                                                                           |       |                                   |                      |                               |                      |
| Sales and service income                                                                                  |       | 8,551,131,532                     | 8,244,979,052        | 6,453,622,019                 | 6,131,059,922        |
| Dividend income                                                                                           | 6, 11 | 21,436                            | 28,376               | 34,028,702                    | 84,961,235           |
| Gain from change in fair value of biological assets                                                       |       | -                                 | 8,752,300            | -                             | -                    |
| Other income                                                                                              | 6     | 87,580,251                        | 75,365,885           | 95,422,045                    | 98,954,727           |
| <b>Total revenues</b>                                                                                     |       | <b>8,638,733,219</b>              | <b>8,329,125,613</b> | <b>6,583,072,766</b>          | <b>6,314,975,884</b> |
| <b>Expenses</b>                                                                                           |       |                                   |                      |                               |                      |
| Cost of sales and service                                                                                 | 27    | 7,251,196,781                     | 6,984,829,231        | 5,794,656,010                 | 5,667,003,783        |
| Selling expenses                                                                                          |       | 640,238,411                       | 639,265,345          | 391,297,034                   | 381,707,263          |
| Administrative expenses                                                                                   |       | 219,199,361                       | 200,368,362          | 114,965,611                   | 105,606,481          |
| Loss from change in fair value of biological assets                                                       |       | 8,425,857                         | -                    | -                             | -                    |
| <b>Total expenses</b>                                                                                     |       | <b>8,119,060,410</b>              | <b>7,824,462,938</b> | <b>6,300,918,655</b>          | <b>6,154,317,527</b> |
| <b>Profit before share of loss from investment in joint venture, finance cost and income tax expenses</b> |       | <b>519,672,809</b>                | <b>504,662,675</b>   | <b>282,154,111</b>            | <b>160,658,357</b>   |
| Share of loss from investment in joint venture                                                            | 12    | (10,191,713)                      | (11,320,717)         | -                             | -                    |
| <b>Profit before finance cost and income tax expenses</b>                                                 |       | <b>509,481,096</b>                | <b>493,341,958</b>   | <b>282,154,111</b>            | <b>160,658,357</b>   |
| Finance cost                                                                                              |       | (39,719,708)                      | (43,520,872)         | (16,470,069)                  | (12,212,921)         |
| <b>Profit before income tax expenses</b>                                                                  |       | <b>469,761,388</b>                | <b>449,821,086</b>   | <b>265,684,042</b>            | <b>148,445,436</b>   |
| Income tax expenses                                                                                       | 28    | (68,968,741)                      | (94,939,643)         | (25,234,662)                  | (10,329,437)         |
| <b>Profit for the year</b>                                                                                |       | <b>400,792,647</b>                | <b>354,881,443</b>   | <b>240,449,380</b>            | <b>138,115,999</b>   |

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the year ended 31 December 2017

(Unit: Baht)

|                                                                                                                      | Note | Consolidated financial statements |                    | Separate financial statements |                    |
|----------------------------------------------------------------------------------------------------------------------|------|-----------------------------------|--------------------|-------------------------------|--------------------|
|                                                                                                                      |      | 2017                              | 2016               | 2017                          | 2016               |
| <b>Other comprehensive income:</b>                                                                                   |      |                                   |                    |                               |                    |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>                         |      |                                   |                    |                               |                    |
| Gain (loss) on changes in value of available-for-sale investments                                                    |      | 327,567                           | (56,835)           | 327,567                       | (56,835)           |
| Less: Income tax effect                                                                                              | 28   | (65,514)                          | 11,367             | (65,514)                      | 11,367             |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax            |      | <u>262,053</u>                    | <u>(45,468)</u>    | <u>262,053</u>                | <u>(45,468)</u>    |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>                     |      |                                   |                    |                               |                    |
| Actuarial loss                                                                                                       |      | (83,974,889)                      | -                  | (49,848,505)                  | -                  |
| Income tax effect                                                                                                    | 28   | 16,794,977                        | -                  | 9,969,701                     | -                  |
| Share of other comprehensive income of investment in joint venture - actuarial gain                                  | 12   | <u>182,730</u>                    | <u>-</u>           | <u>-</u>                      | <u>-</u>           |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax</i> |      | <u>(66,997,182)</u>               | <u>-</u>           | <u>(39,878,804)</u>           | <u>-</u>           |
| <b>Other comprehensive income for the year</b>                                                                       |      | <u>(66,735,129)</u>               | <u>(45,468)</u>    | <u>(39,616,751)</u>           | <u>(45,468)</u>    |
| <b>Total comprehensive income for the year</b>                                                                       |      | <u>334,057,518</u>                | <u>354,835,975</u> | <u>200,832,629</u>            | <u>138,070,531</u> |
| <b>Profit attributable to:</b>                                                                                       |      |                                   |                    |                               |                    |
| Equity holders of the Company                                                                                        |      | 404,105,686                       | 330,580,544        | <u>240,449,380</u>            | <u>138,115,999</u> |
| Non-controlling interests of the subsidiaries                                                                        |      | <u>(3,313,039)</u>                | <u>24,300,899</u>  |                               |                    |
|                                                                                                                      |      | <u>400,792,647</u>                | <u>354,881,443</u> |                               |                    |
| <b>Total comprehensive income attributable to:</b>                                                                   |      |                                   |                    |                               |                    |
| Equity holders of the Company                                                                                        |      | 341,899,764                       | 330,535,076        | <u>200,832,629</u>            | <u>138,070,531</u> |
| Non-controlling interests of the subsidiaries                                                                        |      | <u>(7,842,246)</u>                | <u>24,300,899</u>  |                               |                    |
|                                                                                                                      |      | <u>334,057,518</u>                | <u>354,835,975</u> |                               |                    |
| <b>Basic earnings per share</b>                                                                                      |      |                                   |                    |                               |                    |
| Profit attributable to equity holders of the Company                                                                 | 30   | <u>0.49</u>                       | <u>0.40</u>        | <u>0.29</u>                   | <u>0.17</u>        |

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

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**

**Cash flow statements**

**For the year ended 31 December 2017**

(Unit: Baht)

|                                                                                                      | Consolidated financial statements |                    | Separate financial statements |                     |
|------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------|-------------------------------|---------------------|
|                                                                                                      | 2017                              | 2016               | 2017                          | 2016                |
| <b>Cash flows from operating activities</b>                                                          |                                   |                    |                               |                     |
| Profit before tax                                                                                    | 469,761,388                       | 449,821,086        | 265,684,042                   | 148,445,436         |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: |                                   |                    |                               |                     |
| Depreciation and amortisation                                                                        | 240,992,536                       | 246,660,431        | 96,207,808                    | 98,593,093          |
| Loss (gain) from change in fair value of biological assets                                           | 8,425,857                         | (8,752,300)        | -                             | -                   |
| Share of loss from investment in joint venture                                                       | 10,191,713                        | 11,320,717         | -                             | -                   |
| Increase (decrease) in allowance for doubtful accounts                                               | (1,047,896)                       | 5,305,953          | 398,150                       | 6,330,870           |
| Bad debt write-off                                                                                   | -                                 | 95,927             | -                             | -                   |
| Increase (decrease) in allowance for diminution in inventory value                                   | (15,202,193)                      | 8,660,993          | (138,977)                     | (311,684)           |
| Increase (decrease) in allowance for impairment of assets                                            | 29,704                            | (266,262)          | 29,704                        | -                   |
| Increase in allowance for impairment of intangible assets                                            | 393,917                           | -                  | 393,917                       | -                   |
| Loss on disposals of other long-term investment                                                      | 210,059                           | -                  | 210,059                       | -                   |
| Gain on disposals/write-off of equipment and investment properties                                   | (21,197,201)                      | (327,905)          | (3,852,109)                   | (749,965)           |
| Loss on write-off of cost of palm plantation                                                         | 112,799                           | 7,094,535          | -                             | -                   |
| Unrealised loss (gain) on exchange                                                                   | 150,455                           | (683,130)          | (77,306)                      | (111,423)           |
| Provision for long-term employee benefits                                                            | 15,828,960                        | 10,647,856         | 10,228,251                    | 4,920,697           |
| Dividend income from subsidiaries                                                                    | -                                 | -                  | (34,007,267)                  | (84,932,859)        |
| Dividend income from other companies                                                                 | (21,436)                          | (28,376)           | (21,436)                      | (28,376)            |
| Interest expenses                                                                                    | 36,902,813                        | 40,603,158         | 14,950,003                    | 10,499,363          |
| Profit from operating activities before changes in operating assets and liabilities                  | 745,531,475                       | 770,152,683        | 350,004,839                   | 182,655,152         |
| Decrease (increase) in operating assets                                                              |                                   |                    |                               |                     |
| Trade and other receivables                                                                          | (193,008,733)                     | 235,799,567        | (171,554,651)                 | 133,680,236         |
| Inventories                                                                                          | (11,368,481)                      | (307,193,522)      | (7,367,552)                   | (364,854,903)       |
| Biological assets                                                                                    | 4,504,517                         | (13,351,658)       | -                             | -                   |
| Other current assets                                                                                 | 983,873                           | 6,006,709          | 4,913,708                     | (3,006,419)         |
| Other non-current assets                                                                             | (1,655,821)                       | (169,080)          | -                             | -                   |
| Increase (decrease) in operating liabilities                                                         |                                   |                    |                               |                     |
| Trade and other payables                                                                             | (35,781,899)                      | 14,011,538         | (2,672,006)                   | 657,860             |
| Other current liabilities                                                                            | 15,394,533                        | (6,657,124)        | 8,960,712                     | (4,417,914)         |
| Provision for long-term employee benefits                                                            | (23,943,093)                      | (21,702,798)       | (14,202,739)                  | (10,588,465)        |
| Cash from (used in) operating activities                                                             | 500,656,371                       | 676,896,315        | 168,082,311                   | (65,874,453)        |
| Cash paid for interest expenses                                                                      | (36,591,597)                      | (41,159,827)       | (14,582,419)                  | (10,537,562)        |
| Income tax refund                                                                                    | 4,585,145                         | -                  | -                             | -                   |
| Cash paid for corporate income tax                                                                   | (95,424,798)                      | (104,538,368)      | (17,199,712)                  | (20,877,912)        |
| <b>Net cash from (used in) operating activities</b>                                                  | <b>373,225,121</b>                | <b>531,198,120</b> | <b>136,300,180</b>            | <b>(97,289,927)</b> |

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

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**

**Cash flow statements (continued)**

**For the year ended 31 December 2017**

(Unit: Baht)

|                                                                      | Consolidated financial statements |                      | Separate financial statements |                     |
|----------------------------------------------------------------------|-----------------------------------|----------------------|-------------------------------|---------------------|
|                                                                      | 2017                              | 2016                 | 2017                          | 2016                |
| <b>Cash flows from investing activities</b>                          |                                   |                      |                               |                     |
| Dividend received from subsidiaries                                  | -                                 | -                    | 34,007,267                    | 84,932,859          |
| Dividend received from joint venture                                 | 750,000                           | 1,999,999            | -                             | -                   |
| Dividend received from other companies                               | 21,436                            | 28,376               | 21,436                        | 28,376              |
| Decrease (increase) in other long-term investments                   | 764,941                           | (5,000)              | 764,941                       | (5,000)             |
| Decrease in long-term loans to other companies                       | 39,320,000                        | 1,260,000            | -                             | -                   |
| Acquisitions of property, plant and equipment                        | (136,608,209)                     | (224,564,921)        | (40,635,188)                  | (116,327,935)       |
| Advance payments for plant and equipment                             | (1,002,800)                       | (36,174,588)         | -                             | -                   |
| Proceeds from disposals of equipment                                 | 22,240,929                        | 2,313,872            | 4,177,080                     | 1,014,309           |
| Increase in cost of palm plantation                                  | (25,413,392)                      | (31,039,287)         | -                             | -                   |
| Increase in intangible assets                                        | (4,520,268)                       | (445,395)            | (1,421,583)                   | (81,000)            |
| <b>Net cash used in investing activities</b>                         | <b>(104,447,363)</b>              | <b>(286,626,944)</b> | <b>(3,086,047)</b>            | <b>(30,438,391)</b> |
| <b>Cash flows from financing activities</b>                          |                                   |                      |                               |                     |
| Increase (decreases) in short-term loans from financial institutions | (75,000,000)                      | (55,000,123)         | 40,000,000                    | 275,000,000         |
| Repayment of liabilities under finance lease agreements              | (449,490)                         | (424,235)            | -                             | -                   |
| Cash received from long-term loans                                   | -                                 | 43,618,777           | -                             | 43,618,777          |
| Repayment of long-term loans                                         | (103,000,000)                     | (158,500,000)        | (78,000,000)                  | (58,500,000)        |
| Dividend paid                                                        | (96,570,228)                      | (133,823,061)        | (81,970,310)                  | (123,351,130)       |
| <b>Net cash from (used in) financing activities</b>                  | <b>(275,019,718)</b>              | <b>(304,128,642)</b> | <b>(119,970,310)</b>          | <b>136,767,647</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>          |                                   |                      |                               |                     |
|                                                                      | (6,241,960)                       | (59,557,466)         | 13,243,823                    | 9,039,329           |
| Cash and cash equivalents at beginning of the year                   | 420,385,408                       | 479,942,874          | 130,745,424                   | 121,706,095         |
| <b>Cash and cash equivalents at end of the year (Note 7)</b>         | <b>414,143,448</b>                | <b>420,385,408</b>   | <b>143,989,247</b>            | <b>130,745,424</b>  |
| <b>Supplementary disclosures of cash flows information</b>           |                                   |                      |                               |                     |
| Non-cash transactions                                                |                                   |                      |                               |                     |
| Acquisitions of plant and equipment that have not been paid          | 9,143,446                         | 5,833,346            | 3,070,414                     | 2,825,731           |
| Transferred property, plant and equipment to intangible assets       | -                                 | 1,070,819            | -                             | 1,070,819           |
| Transfer of deposits for equipment to equipment                      | 26,350,127                        | 10,872,262           | -                             | -                   |
| Dividend payable                                                     | 3,682,863                         | 4,000,735            | 590,435                       | 694,431             |

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2017

(Unit: Baht)

| Consolidated financial statements                                           |      |                                                  |                    |                           |                                                  |                    |                            |                                                               |                                                |                                                          |                                                                      |                            |
|-----------------------------------------------------------------------------|------|--------------------------------------------------|--------------------|---------------------------|--------------------------------------------------|--------------------|----------------------------|---------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------|
| Equity attributable to the owners of the Company                            |      |                                                  |                    |                           |                                                  |                    |                            |                                                               |                                                |                                                          |                                                                      |                            |
|                                                                             | Note | Equity attributable to the owners of the Company |                    |                           |                                                  |                    | Other components of equity |                                                               |                                                |                                                          |                                                                      |                            |
|                                                                             |      | Issued and paid up share capital                 | Share premium      | Premium on treasury stock | Deficit on changes in shareholding in subsidiary | Retained earnings  | Other comprehensive income | Deficit on changes in value of available-for-sale investments | Total other components of shareholders' equity | Total equity attributable to shareholders of the Company | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity |
|                                                                             |      |                                                  |                    |                           | Appropriated - statutory reserve                 | Unappropriated     |                            |                                                               |                                                |                                                          |                                                                      |                            |
| <b>Balance as at 1 January 2016</b>                                         |      | 820,000,000                                      | 241,970,265        | 5,269,100                 | (6,579,077)                                      | 107,122,983        | 1,759,037,179              | (633,892)                                                     | (633,892)                                      | 2,926,186,558                                            | 344,714,708                                                          | 3,270,901,266              |
| Profit for the year                                                         |      | -                                                | -                  | -                         | -                                                | 330,580,544        | -                          | -                                                             | 330,580,544                                    | 24,300,899                                               | 354,881,443                                                          |                            |
| Other comprehensive income for the year                                     |      | -                                                | -                  | -                         | -                                                | -                  | (45,468)                   | (45,468)                                                      | (45,468)                                       | -                                                        | (45,468)                                                             |                            |
| Total comprehensive income for the year                                     |      | -                                                | -                  | -                         | -                                                | 330,580,544        | (45,468)                   | (45,468)                                                      | 330,535,076                                    | 24,300,899                                               | 354,835,975                                                          |                            |
| Dividend paid                                                               | 33   | -                                                | -                  | -                         | -                                                | (123,000,000)      | -                          | -                                                             | (123,000,000)                                  | -                                                        | (123,000,000)                                                        |                            |
| Reversal of prior year dividend                                             |      | -                                                | -                  | -                         | -                                                | 33,373             | -                          | -                                                             | 33,373                                         | -                                                        | 33,373                                                               |                            |
| Appropriation of statutory reserve of subsidiary                            |      | -                                                | -                  | -                         | -                                                | 349,815            | (500,000)                  | -                                                             | (150,185)                                      | 150,185                                                  | -                                                                    |                            |
| Decrease in non-controlling interests from dividend payment of subsidiaries |      | -                                                | -                  | -                         | -                                                | -                  | -                          | -                                                             | -                                              | (10,471,931)                                             | (10,471,931)                                                         |                            |
| <b>Balance as at 31 December 2016</b>                                       |      | <b>820,000,000</b>                               | <b>241,970,265</b> | <b>5,269,100</b>          | <b>(6,579,077)</b>                               | <b>107,472,798</b> | <b>1,966,151,096</b>       | <b>(679,360)</b>                                              | <b>(679,360)</b>                               | <b>3,133,604,822</b>                                     | <b>358,693,861</b>                                                   | <b>3,492,298,683</b>       |

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

| Consolidated financial statements                                         |      |                                  |                    |                           |                                                  |                                  |                      |                                                                         |                                                |                                                          |                                                                      |                            |
|---------------------------------------------------------------------------|------|----------------------------------|--------------------|---------------------------|--------------------------------------------------|----------------------------------|----------------------|-------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------|
| Equity attributable to the owners of the Company                          |      |                                  |                    |                           |                                                  |                                  |                      |                                                                         |                                                |                                                          |                                                                      |                            |
|                                                                           | Note |                                  |                    |                           |                                                  | Retained earnings                |                      | Other components of equity                                              |                                                | Total equity attributable to shareholders of the Company | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity |
|                                                                           |      | Issued and paid up share capital | Share premium      | Premium on treasury stock | Deficit on changes in shareholding in subsidiary | Appropriated - statutory reserve | Unappropriated       | Surplus (deficit) on changes in value of available-for-sale investments | Total other components of shareholders' equity |                                                          |                                                                      |                            |
| <b>Balance as at 1 January 2017</b>                                       |      | 820,000,000                      | 241,970,265        | 5,269,100                 | (6,579,077)                                      | 107,472,798                      | 1,966,151,096        | (679,360)                                                               | (679,360)                                      | 3,133,604,822                                            | 358,693,861                                                          | 3,492,298,683              |
| Profit for the year                                                       |      | -                                | -                  | -                         | -                                                | -                                | 404,105,686          | -                                                                       | -                                              | 404,105,686                                              | (3,313,039)                                                          | 400,792,647                |
| Other comprehensive income for the year                                   |      | -                                | -                  | -                         | -                                                | -                                | (62,467,975)         | 262,053                                                                 | 262,053                                        | (62,205,922)                                             | (4,529,207)                                                          | (66,735,129)               |
| Total comprehensive income for the year                                   |      | -                                | -                  | -                         | -                                                | -                                | 341,637,711          | 262,053                                                                 | 262,053                                        | 341,899,764                                              | (7,842,246)                                                          | 334,057,518                |
| Dividend paid                                                             | 33   | -                                | -                  | -                         | -                                                | -                                | (82,000,000)         | -                                                                       | -                                              | (82,000,000)                                             | -                                                                    | (82,000,000)               |
| Reversal of prior year dividend                                           |      | -                                | -                  | -                         | -                                                | -                                | 133,686              | -                                                                       | -                                              | 133,686                                                  | -                                                                    | 133,686                    |
| Appropriation of statutory reserve of subsidiary                          |      | -                                | -                  | -                         | -                                                | 7,282,643                        | (7,369,000)          | -                                                                       | -                                              | (86,357)                                                 | 86,357                                                               | -                          |
| Decrease in non-controlling interests from dividend payment of subsidiary |      | -                                | -                  | -                         | -                                                | -                                | -                    | -                                                                       | -                                              | -                                                        | (14,599,918)                                                         | (14,599,918)               |
| <b>Balance as at 31 December 2017</b>                                     |      | <u>820,000,000</u>               | <u>241,970,265</u> | <u>5,269,100</u>          | <u>(6,579,077)</u>                               | <u>114,755,441</u>               | <u>2,218,553,493</u> | <u>(417,307)</u>                                                        | <u>(417,307)</u>                               | <u>3,393,551,915</u>                                     | <u>336,338,054</u>                                                   | <u>3,729,889,969</u>       |

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



Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

| Separate financial statements           |                                  |                    |                           |                                  |                      |                                                               |                  |                                                |                            |
|-----------------------------------------|----------------------------------|--------------------|---------------------------|----------------------------------|----------------------|---------------------------------------------------------------|------------------|------------------------------------------------|----------------------------|
|                                         |                                  |                    |                           |                                  |                      | Other components of equity                                    |                  |                                                |                            |
|                                         |                                  |                    |                           |                                  |                      | Other comprehensive income                                    |                  |                                                |                            |
|                                         |                                  |                    |                           |                                  |                      | Deficit on changes in value of available-for-sale investments |                  | Total other components of shareholders' equity | Total shareholders' equity |
| Note                                    | Issued and paid up share capital | Share premium      | Premium on treasury stock | Retained earnings                |                      |                                                               |                  |                                                |                            |
|                                         |                                  |                    |                           | Appropriated - statutory reserve | Unappropriated       |                                                               |                  |                                                |                            |
| <b>Balance as at 1 January 2016</b>     | 820,000,000                      | 241,970,265        | 5,269,100                 | 82,000,000                       | 1,665,658,684        | (633,892)                                                     | (633,892)        | 2,814,264,157                                  |                            |
| Profit for the year                     | -                                | -                  | -                         | -                                | 138,115,999          | -                                                             | -                | 138,115,999                                    |                            |
| Other comprehensive income for the year | -                                | -                  | -                         | -                                | -                    | (45,468)                                                      | (45,468)         | (45,468)                                       |                            |
| Total comprehensive income for the year | -                                | -                  | -                         | -                                | 138,115,999          | (45,468)                                                      | (45,468)         | 138,070,531                                    |                            |
| Dividend paid                           | 33                               | -                  | -                         | -                                | (123,000,000)        | -                                                             | -                | (123,000,000)                                  |                            |
| Reversal of prior year dividend         |                                  | -                  | -                         | -                                | 33,373               | -                                                             | -                | 33,373                                         |                            |
| <b>Balance as at 31 December 2016</b>   | <u>820,000,000</u>               | <u>241,970,265</u> | <u>5,269,100</u>          | <u>82,000,000</u>                | <u>1,680,808,056</u> | <u>(679,360)</u>                                              | <u>(679,360)</u> | <u>2,829,368,061</u>                           |                            |

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

| Separate financial statements           |                                  |                    |                           |                                  |                      |                                                                         |                  |                            |
|-----------------------------------------|----------------------------------|--------------------|---------------------------|----------------------------------|----------------------|-------------------------------------------------------------------------|------------------|----------------------------|
|                                         |                                  |                    |                           |                                  |                      | Other components of equity                                              |                  |                            |
|                                         |                                  |                    |                           |                                  |                      | Other comprehensive income                                              |                  |                            |
|                                         |                                  |                    |                           |                                  |                      | Surplus (deficit) on changes in value of available-for-sale investments |                  |                            |
|                                         |                                  |                    |                           |                                  |                      | Total other components of shareholders' equity                          |                  | Total shareholders' equity |
| Note                                    | Issued and paid up share capital | Share premium      | Premium on treasury stock | Retained earnings                |                      |                                                                         |                  |                            |
|                                         |                                  |                    |                           | Appropriated - statutory reserve | Unappropriated       |                                                                         |                  |                            |
| <b>Balance as at 1 January 2017</b>     | 820,000,000                      | 241,970,265        | 5,269,100                 | 82,000,000                       | 1,680,808,056        | (679,360)                                                               | (679,360)        | 2,829,368,061              |
| Profit for the year                     | -                                | -                  | -                         | -                                | 240,449,380          | -                                                                       | -                | 240,449,380                |
| Other comprehensive income for the year | -                                | -                  | -                         | -                                | (39,878,804)         | 262,053                                                                 | 262,053          | (39,616,751)               |
| Total comprehensive income for the year | -                                | -                  | -                         | -                                | 200,570,576          | 262,053                                                                 | 262,053          | 200,832,629                |
| Dividend paid                           | 33                               | -                  | -                         | -                                | (82,000,000)         | -                                                                       | -                | (82,000,000)               |
| Reversal of prior year dividend         |                                  | -                  | -                         | -                                | 133,686              | -                                                                       | -                | 133,686                    |
| <b>Balance as at 31 December 2017</b>   | <u>820,000,000</u>               | <u>241,970,265</u> | <u>5,269,100</u>          | <u>82,000,000</u>                | <u>1,799,512,318</u> | <u>(417,307)</u>                                                        | <u>(417,307)</u> | <u>2,948,334,376</u>       |

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

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2017**

**1. General information**

Lam Soon (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Lam Soon Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of palm oil. The registered office of the Company is at 64, Soi Bangna-Trad 25, Bangna, 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 11 October 2016, 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 Lam Soon (Thailand) Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

| Company's name                                                                   | Nature of business                                                                       | Country of incorporation | Percentage of shareholding |                        |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------|----------------------------|------------------------|
|                                                                                  |                                                                                          |                          | <u>2017</u><br>Percent     | <u>2016</u><br>Percent |
| <b><u>Subsidiaries directly held by the Company</u></b>                          |                                                                                          |                          |                            |                        |
| United Palm Oil Industry Public Company Limited                                  | Palm oil plantation, crude palm oil and kernel palm oil processing                       | Thailand                 | 69.96                      | 69.96                  |
| Universal Food Public Company Limited                                            | Manufacture and distribution of processed fruits and vegetables, canned juice and drinks | Thailand                 | 98.83                      | 98.83                  |
| <b><u>Subsidiary held by United Palm Oil Industry Public Company Limited</u></b> |                                                                                          |                          |                            |                        |
| Phansrivivat Company Limited                                                     | Owner of palm oil plantation                                                             | Thailand                 | 100                        | 100                    |

| Company's name                                                         | Nature of business                               | Country of incorporation | Percentage of shareholding |                        |
|------------------------------------------------------------------------|--------------------------------------------------|--------------------------|----------------------------|------------------------|
|                                                                        |                                                  |                          | <u>2017</u><br>Percent     | <u>2016</u><br>Percent |
| <b><u>Subsidiaries held by Phansrivivat Company Limited</u></b>        |                                                  |                          |                            |                        |
| Prachak Vivat Company Limited                                          | Holder of concessions to use forest reserve land | Thailand                 | 100                        | 100                    |
| Phansri Company Limited                                                | Holder of concessions to use forest reserve land | Thailand                 | 100                        | 100                    |
| <b><u>Subsidiary held by Universal Food Public Company Limited</u></b> |                                                  |                          |                            |                        |
| Union Frost Company Limited                                            | Manufacture of frozen fruits and vegetables      | Thailand                 | 100                        | 100                    |

The frozen vegetable and fruit manufacturing business is operated by Union Frost Company Limited ("the subsidiary"), and because its operating results have not met targets. As a result, since 2013 the subsidiary has downsized production and laid off most of its employees. At present, the management is in the process of preparing appropriate business plan in order that the subsidiary can be operating effectively.

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) 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.
- d) The financial statements of the subsidiaries are prepared using the same reporting period and the same significant accounting policies as the Company.
- 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 present investments in subsidiaries under the cost method.

### **3. New financial reporting standards**

#### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

##### *Sales of goods*

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

##### *Service income*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

### *Interest income*

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

### *Dividends*

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

## **4.2 Cash and cash equivalents**

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

## **4.3 Trade accounts receivable and other accounts receivable**

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

## **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (Moving average method) and net realisable value. Cost includes all cost of raw materials, labour and factory overheads.

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

## **4.5 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investments in joint venture and associate are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of unit trusts is determined from their net asset value.

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

#### **4.6 Investment properties**

Investment properties are initially measured 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).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

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

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

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

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

|                                               |   |                 |
|-----------------------------------------------|---|-----------------|
| Building                                      | - | 20 and 30 years |
| Building improvement                          | - | 5 - 25 years    |
| Waste water treatment                         | - | 15 and 30 years |
| Machinery, factory and agricultural equipment | - | 5 - 20 years    |
| Furniture, fixtures and office equipment      | - | 5 - 20 years    |
| Motor vehicles                                | - | 5 - 15 years    |

Depreciation is included in determining income.

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

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.

#### **4.8 Cost of forest land rights and cost of palm plantation and amortisation**

Cost of forest land rights and cost of palm plantation are stated at cost less accumulated amortisation and impairment losses (if any). The cost includes development costs and expenses which are directly related to forest land rights, and oil palm seeding and plantation activities before the production period.

Amortisation is calculated by reference to cost of forest land rights and cost of palm plantation ready for harvest on a straight-line basis over the estimated remaining productive life of the palm trees (the productive life of palm trees is generally 25 years) or over the remaining period of the forest reserve land concession, whichever is shorter.

Amortisation is included in determining income.

No amortisation is provided on cost of palm plantation not ready for harvest.

Costs of supplying palm vacancies and infilling mature areas are recognised as expenses in profit or loss.

#### **4.9 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.

#### **4.10 Intangible assets and amortisation**

Intangible assets are initially recognised at cost on the date of acquisition. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and 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 for such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

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

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



#### **4.11 Biological assets**

The subsidiary's biological assets are palm fruit on tree and palm nursery for sale, and agricultural produce is palm fresh fruit brunch.

The fair value of palm fruit on tree is determined based on discounted cash flows reference to price of palm fruit at the front of the factory less estimated point of harvest costs. The palm fresh fruit brunch is determined by reference to price of palm fruit at the front of the factory less estimated selling expenses. The fair value of palm nursery for sale is determined by reference to selling price less estimated selling expenses. Gains or losses on changes in fair value of biological assets and the differences between fair value and costs of agricultural produce are recognised in profit or loss.

In case the fair value cannot be measured reliably, this biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, the subsidiary shall measure it at fair value less costs to sell.

The agricultural produce is included in inventories.

#### **4.12 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash-generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.13 Related party transactions**

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

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

#### **4.14 Long-term leases**

Leases of property, plant and 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 other long-term payables, while the interest element is charged to profit or loss over the lease period. The asset acquired under finance lease is depreciated over the useful life of the leased 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 expenses in profit or loss on a straight-line basis over the lease term.

#### **4.15 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

#### **4.16 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, cost of forest land rights, cost of palm plantation or 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 an asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that the previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate 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.

#### **4.17 Treasury stock**

Treasury stock is stated at cost and is presented as a reduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

#### **4.18 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 and other long-term employee benefits***

###### *Defined contribution plans*

The Company and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company's and its subsidiaries' contributions are recognised as expenses when incurred.

###### *Post-employment benefits and other long-term employee benefits*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat this severance payment obligation as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee 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.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

#### **4.19 Provisions**

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

## 4.20 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.

## 4.21 Derivatives

### *Forward exchange contracts*

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are included in profit or loss. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

### *Interest rate swap contracts*

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

#### **4.22 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **5. Significant accounting judgements and estimates**

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

##### **Cost of forest land rights and cost of palm plantation and amortisation**

In determining amortisation of cost of forest land rights and cost of palm plantation, the management is required to make estimates of the useful lives of cost of forest land rights and cost of palm plantation and to review estimate useful lives when there are any changes.

In addition, the management is required to review the cost of forest land rights and cost of palm plantation for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Biological assets**

The subsidiary measures its biological assets - palm fruit on tree at the fair value less costs to sell. Such fair value is calculated using the discounted cash flows reference to fair value less estimated point of harvest costs. The valuation involves certain assumptions and estimates such as prices of palm fruit at the point of harvest, weight of palm fruit on tree and discount rate.

### **Goodwill**

The initial recognition and measurement of goodwill, 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 assets**

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

### **Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans 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.

### **Contingent liabilities**

The subsidiary has contingent liabilities as a result of the land exploit right issue. The management has used judgement to assess the liabilities that may arise and believes that no significant loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting period.

## 6. Related party transactions

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

(Unit: Million Baht)

|                                                             | Consolidated<br>financial<br>statements |             | Separate<br>financial<br>statements |             | Transfer Pricing Policy                  |
|-------------------------------------------------------------|-----------------------------------------|-------------|-------------------------------------|-------------|------------------------------------------|
|                                                             | <u>2017</u>                             | <u>2016</u> | <u>2017</u>                         | <u>2016</u> |                                          |
| <b><u>Transactions with subsidiaries</u></b>                |                                         |             |                                     |             |                                          |
| (eliminated from the consolidated financial statements)     |                                         |             |                                     |             |                                          |
| Purchases of raw materials                                  | -                                       | -           | 308                                 | 516         | Market prices on the contract date       |
| Purchases of goods and services                             | -                                       | -           | 638                                 | 709         | Market prices less fixed margin          |
| Sales of goods and services                                 | -                                       | -           | -                                   | 1           | Market price                             |
| Dividend income                                             | -                                       | -           | 34                                  | 85          | At the declared rate                     |
| Rental income                                               | -                                       | -           | 2                                   | 2           | Market price                             |
| Selling and administrative service income                   | -                                       | -           | 64                                  | 68          | Actual charge                            |
| <b><u>Transactions with related companies</u></b>           |                                         |             |                                     |             |                                          |
| Sales of goods                                              | 168                                     | 161         | -                                   | -           | Price approximates market price          |
| Purchases of goods                                          | 5                                       | 2           | 2                                   | -           | Price less marketing expenses and margin |
| Selling expenses                                            | 16                                      | 19          | -                                   | -           | Actual charge                            |
| <b><u>Transactions with joint venture of subsidiary</u></b> |                                         |             |                                     |             |                                          |
| Purchases of oil palm seeds and fresh fruit bunch           | 4                                       | 17          | -                                   | -           | Market price                             |
| Land rental income                                          | 1                                       | 1           | -                                   | -           | Agreed between the parties               |
| Dividend income                                             | 1                                       | 2           | -                                   | -           | As declared by joint venture             |



As at 31 December 2017 and 2016, the balances of accounts between the Company and those related parties are detailed as follows:

|                                                                      | (Unit: Thousand Baht) |               |                      |                |
|----------------------------------------------------------------------|-----------------------|---------------|----------------------|----------------|
|                                                                      | Consolidated          |               | Separate             |                |
|                                                                      | financial statements  |               | financial statements |                |
|                                                                      | <u>2017</u>           | <u>2016</u>   | <u>2017</u>          | <u>2016</u>    |
| <b><u>Trade and other receivables - related parties</u></b> (Note 8) |                       |               |                      |                |
| Subsidiaries                                                         | -                     | -             | 17,016               | 20,261         |
| Associated company                                                   | 452                   | 452           | -                    | -              |
| Related companies (related by common shareholders)                   | 64,956                | 42,719        | 51                   | -              |
| <b>Total trade and other receivables - related parties</b>           | <b>65,408</b>         | <b>43,171</b> | <b>17,067</b>        | <b>20,261</b>  |
| Less: Allowance for doubtful accounts                                | (20,780)              | (20,780)      | -                    | -              |
| <b>Total trade and other receivables - related parties - net</b>     | <b>44,628</b>         | <b>22,391</b> | <b>17,067</b>        | <b>20,261</b>  |
| <b><u>Short-term loans to related parties</u></b>                    |                       |               |                      |                |
| Associated company                                                   | 40,286                | 40,286        | -                    | -              |
| Related companies (related by common shareholders)                   | 5,325                 | 5,325         | -                    | -              |
| <b>Total short-term loans - related parties</b>                      | <b>45,611</b>         | <b>45,611</b> | <b>-</b>             | <b>-</b>       |
| Less: Allowance for doubtful accounts                                | (45,611)              | (45,611)      | -                    | -              |
| <b>Total short-term loans to related parties - net</b>               | <b>-</b>              | <b>-</b>      | <b>-</b>             | <b>-</b>       |
| <b><u>Trade and other payables - related parties</u></b> (Note 21)   |                       |               |                      |                |
| Subsidiaries                                                         | -                     | -             | 145,286              | 139,954        |
| Related companies (related by common shareholders)                   | 6,901                 | 2,052         | -                    | -              |
| <b>Total trade and other payables - related parties</b>              | <b>6,901</b>          | <b>2,052</b>  | <b>145,286</b>       | <b>139,954</b> |

**Short-term loans to related parties**

Short-term loans to associated and related companies of a subsidiary carry interest at a rate of 7% per annum and are repayable on demand. Recognition of interest on these loans as income on an accrual basis has been ceased from the date that the Central Bankruptcy Court accepted the bankruptcy suits which the subsidiary brought against the associated and related companies. Currently, this case is in the state of the Legal Execution Department.

### Selling and administrative service income

On 7 November 2011, the Company and Universal Food Public Company Limited (“UFC”), a subsidiary, entered into a memorandum related to the agency agreement dated 27 February 2006 whereby both parties agreed to change the terms and conditions on dealer compensation to comply with the general practice in the industry. The contract expired on 31 December 2016. The Company and UFC agreed to extend the agreement for another 5 years, starting from 1 January 2017 and expiring on 31 December 2021.

### Directors and management’s remuneration

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had short-term employee benefits, post-employment benefits and other long-term benefits payable to their directors and management totaling Baht 156 million and Baht 148 million, respectively (the Company only: Baht 91 million and Baht 82 million, respectively).

## **7. Cash and cash equivalents**

(Unit: Thousand Baht)

|                                      | Consolidated         |                      | Separate             |                      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                      | financial statements | financial statements | financial statements | financial statements |
|                                      | <u>2017</u>          | <u>2016</u>          | <u>2017</u>          | <u>2016</u>          |
| Cash                                 | 4,181                | 4,220                | 1,227                | 1,237                |
| Bank deposits                        | 379,982              | 386,170              | 142,762              | 129,508              |
| Investment in Bank of Thailand bonds | 29,980               | 29,995               | -                    | -                    |
| Total                                | <u>414,143</u>       | <u>420,385</u>       | <u>143,989</u>       | <u>130,745</u>       |

As at 31 December 2017, bank deposits in savings accounts and investment in Bank of Thailand bonds carried interests between 0.05 and 1.13 percent per annum (2016: between 0.05 and 1.45 percent per annum).

## 8. Trade and other receivables

|                                                   | (Unit: Thousand Baht) |                |                      |                |
|---------------------------------------------------|-----------------------|----------------|----------------------|----------------|
|                                                   | Consolidated          |                | Separate             |                |
|                                                   | financial statements  |                | financial statements |                |
|                                                   | <u>2017</u>           | <u>2016</u>    | <u>2017</u>          | <u>2016</u>    |
| <u>Trade receivables - related parties</u>        |                       |                |                      |                |
| Aged on the basis of due dates                    |                       |                |                      |                |
| Not yet due                                       | 28,638                | 21,471         | 130                  | -              |
| Past due                                          |                       |                |                      |                |
| Up to 3 months                                    | 15,988                | 906            | -                    | -              |
| 6 - 12 months                                     | -                     | 12             | -                    | -              |
| Over 12 months                                    | 452                   | 452            | -                    | -              |
| Total                                             | 45,078                | 22,841         | 130                  | -              |
| Less: Allowance for doubtful accounts             | (452)                 | (452)          | -                    | -              |
| Total trade receivables - related parties - net   | 44,626                | 22,389         | 130                  | -              |
| <u>Trade receivables - unrelated parties</u>      |                       |                |                      |                |
| Aged on the basis of due dates                    |                       |                |                      |                |
| Post dated cheques receivable                     | 43,327                | 35,911         | 43,328               | 35,911         |
| Cheque returned                                   | 19,468                | 19,224         | 14,505               | 14,261         |
| Not yet due                                       | 748,338               | 688,743        | 657,539              | 635,950        |
| Past due                                          |                       |                |                      |                |
| Up to 3 months                                    | 257,636               | 151,702        | 235,168              | 88,648         |
| 3 - 6 months                                      | 6,364                 | 7,984          | 152                  | 911            |
| 6 - 12 months                                     | 1,122                 | 2,060          | 360                  | 1,724          |
| Over 12 months                                    | 29,042                | 28,557         | 3,797                | 2,483          |
| Total                                             | 1,105,297             | 934,181        | 954,849              | 779,888        |
| Less: Allowance for doubtful accounts             | (47,346)              | (49,094)       | (16,466)             | (16,767)       |
| Total trade receivables - unrelated parties - net | 1,057,951             | 885,087        | 938,383              | 763,121        |
| Total trade receivables - net                     | 1,102,577             | 907,476        | 938,513              | 763,121        |
| <u>Other receivables</u>                          |                       |                |                      |                |
| Other receivables - related parties               | 2                     | 2              | 1,622                | 3,748          |
| Other receivables - unrelated parties             | 3,145                 | 3,808          | 1,971                | 2,078          |
| Accrued income - related parties                  | -                     | -              | 15,315               | 16,513         |
| Accrued income - unrelated parties                | 429                   | 467            | -                    | -              |
| Advances - related parties                        | 20,328                | 20,328         | -                    | -              |
| Advances - unrelated parties                      | 474                   | 677            | -                    | -              |
| Total                                             | 24,378                | 25,282         | 18,908               | 22,339         |
| Less: Allowance for doubtful accounts             | (21,657)              | (20,957)       | (1,328)              | (629)          |
| Total other receivables - net                     | 2,721                 | 4,325          | 17,580               | 21,710         |
| <b>Total trade and other receivables - net</b>    | <b>1,105,298</b>      | <b>911,801</b> | <b>956,093</b>       | <b>784,831</b> |

## 9. Inventories

(Unit: Thousand Baht)

| Consolidated financial statements |                  |                  |                                        |                 |                   |                  |
|-----------------------------------|------------------|------------------|----------------------------------------|-----------------|-------------------|------------------|
|                                   | Cost             |                  | Reduce cost to<br>net realisable value |                 | Inventories - net |                  |
|                                   | <u>2017</u>      | <u>2016</u>      | <u>2017</u>                            | <u>2016</u>     | <u>2017</u>       | <u>2016</u>      |
|                                   | Finished goods   | 540,755          | 557,047                                | (16,192)        | (27,382)          | 524,563          |
| Work in process                   | 709,394          | 655,974          | -                                      | -               | 709,394           | 655,974          |
| Raw materials                     | 106,722          | 98,386           | (12,902)                               | (12,614)        | 93,820            | 85,772           |
| Inventories in<br>transit         | 3,756            | 18,535           | -                                      | -               | 3,756             | 18,535           |
| Supplies and<br>spare parts       | 123,786          | 143,102          | (2,857)                                | (7,157)         | 120,929           | 135,945          |
| <b>Total</b>                      | <b>1,484,413</b> | <b>1,473,044</b> | <b>(31,951)</b>                        | <b>(47,153)</b> | <b>1,452,462</b>  | <b>1,425,891</b> |

(Unit: Thousand Baht)

| Separate financial statements |                |                |                                        |              |                   |                |
|-------------------------------|----------------|----------------|----------------------------------------|--------------|-------------------|----------------|
|                               | Cost           |                | Reduce cost to<br>net realisable value |              | Inventories - net |                |
|                               | <u>2017</u>    | <u>2016</u>    | <u>2017</u>                            | <u>2016</u>  | <u>2017</u>       | <u>2016</u>    |
|                               | Finished goods | 113,517        | 145,211                                | -            | -                 | 113,517        |
| Work in process               | 706,496        | 653,393        | -                                      | -            | 706,496           | 653,393        |
| Raw materials                 | 65,244         | 69,240         | -                                      | -            | 65,244            | 69,240         |
| Inventories in<br>transit     | 3,756          | 18,535         | -                                      | -            | 3,756             | 18,535         |
| Supplies and<br>spare parts   | 33,662         | 28,928         | -                                      | (139)        | 33,662            | 28,789         |
| <b>Total</b>                  | <b>922,675</b> | <b>915,307</b> | <b>-</b>                               | <b>(139)</b> | <b>922,675</b>    | <b>915,168</b> |

During the current year, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 15.2 million and reduced the amount of inventories recognised as expenses during the year (2016: reduced cost of inventories to net realisable value by Baht 8.7 million, which was included in cost of sales) (the Company only: reversed the write-down of cost of inventories by Baht 0.1 million, and reduced the amount of inventories recognised as expenses during the year (2016: Baht 0.3 million)).

## 10. Biological assets

Movements of the biological assets account for the year ended 31 December 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

|                                       | Consolidated financial statements |                       |           |
|---------------------------------------|-----------------------------------|-----------------------|-----------|
|                                       | Nursery<br>for sales              | Palm fruit<br>on tree | Total     |
| <b>Balance as at 1 January 2016</b>   | 45,750                            | 20,265                | 66,015    |
| Gain from changes in fair value       | 20,621                            | 316,631               | 337,252   |
| Increases from cultivate              | 4,006                             | -                     | 4,006     |
| Decreases from harvest                | -                                 | (306,646)             | (306,646) |
| Decreases from sales                  | (17,080)                          | -                     | (17,080)  |
| <b>Balance as at 31 December 2016</b> | 53,297                            | 30,250                | 83,547    |
| Gain from changes in fair value       | 34,707                            | 234,855               | 269,562   |
| Increases from cultivate              | 1,940                             | -                     | 1,940     |
| Decreases from harvest                | -                                 | (247,580)             | (247,580) |
| Decreases from sales                  | (25,225)                          | -                     | (25,225)  |
| Decrease from write-off               | (11,628)                          | -                     | (11,628)  |
| <b>Balance as at 31 December 2017</b> | 53,091                            | 17,525                | 70,616    |

Significant assumptions for the calculation of fair value are as follows:

Prices of palm fruit at the point of harvest are estimated based on the past purchase prices of palm fruit at the front of the subsidiary's factory less estimated estate cost, harvesting cost and transportation cost from each estate.

Weight of palm fruit on tree is estimated with reference to the average weight for each age from historical information when harvesting the palm fruit, taking into consideration the factors affecting fruit bearing and sampling count result.

Discount rate is estimated at the rate of 10 percent by weighted average cost of capital method.

The results of sensitivity analysis for significant assumptions that affect the fair value of biological assets as at 31 December 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

|                                              | Consolidated financial statements |          |          |          |
|----------------------------------------------|-----------------------------------|----------|----------|----------|
|                                              | 2017                              |          | 2016     |          |
|                                              | Increase                          | Decrease | Increase | Decrease |
|                                              | 10%                               | 10%      | 10%      | 10%      |
| Prices of palm fruit at the point of harvest | 4,209                             | (3,899)  | 5,744    | (5,371)  |
| Weight of palm fruit on tree                 | 4,209                             | (3,899)  | 5,744    | (5,371)  |

## 11. Investments in subsidiaries

11.1 Details of investments in subsidiaries as presented in the separate financial statements are as follows:

(Unit: Thousand Baht)

| Company's name                                     | Paid-up capital |         | Shareholding percentage |         | Cost             |                  | Dividend received |        |
|----------------------------------------------------|-----------------|---------|-------------------------|---------|------------------|------------------|-------------------|--------|
|                                                    |                 |         |                         |         |                  |                  | during the year   |        |
|                                                    | 2017            | 2016    | 2017                    | 2016    | 2017             | 2016             |                   |        |
|                                                    |                 |         | Percent                 | Percent |                  |                  |                   |        |
| United Palm Oil                                    |                 |         |                         |         |                  |                  |                   |        |
| Industry Public                                    |                 |         |                         |         |                  |                  |                   |        |
| Company Limited                                    | 324,050         | 324,050 | 69.96                   | 69.96   | 748,344          | 748,344          | 34,007            | 22,672 |
| Universal Food                                     |                 |         |                         |         |                  |                  |                   |        |
| Public Company                                     |                 |         |                         |         |                  |                  |                   |        |
| Limited                                            | 525,000         | 525,000 | 98.83                   | 98.83   | 585,623          | 585,623          | -                 | 62,261 |
| Total                                              |                 |         |                         |         | 1,333,967        | 1,333,967        | 34,007            | 84,933 |
| Less: Allowance for impairment loss of investments |                 |         |                         |         | (21,096)         | (21,096)         |                   |        |
| <b>Total investments in subsidiaries - net</b>     |                 |         |                         |         | <u>1,312,871</u> | <u>1,312,871</u> |                   |        |

As at 31 December 2017, the fair value of the investment in United Palm Oil Industry Public Company Limited, calculated based on latest bid price of the shares on the last trading day of the period as quoted on the Stock Exchange of Thailand and in proportion to the Company's shareholding, was approximately Baht 1,125 million (2016: Baht 1,621 million).

## 11.2 Goodwill

The Company allocated goodwill acquired through business combinations with indefinite useful lives to the cash generating units (CGUs) for annual impairment testing as follows:

(Unit: Thousand Baht)

|          | United Palm Oil<br>Industry Public<br>Company Limited | Universal Food<br>Public Company<br>Limited | Total   |
|----------|-------------------------------------------------------|---------------------------------------------|---------|
| Goodwill | 84,585                                                | 111,791                                     | 196,376 |

The recoverable amount of the CGUs have been determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

Key assumptions used in value in use calculation are summarised below.

(Unit: Percent per annum)

|                        | United Palm Oil<br>Industry Public<br>Company Limited | Universal Food<br>Public Company<br>Limited |
|------------------------|-------------------------------------------------------|---------------------------------------------|
| Long-term growth rate  | 2.0                                                   | 2.0                                         |
| Pre-tax discount rates | 9.6                                                   | 9.8                                         |

The management determined growth rates based on historical operating results, expected market growth in the industry and the pre-tax discount rate that reflects the risks specific to each CGU.

The management believes that there is no impairment loss for goodwill with indefinite useful lives.

## 12. Investment in joint venture

### 12.1 Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment are as follows:

(Unit: Thousand Baht)

| Joint venture             | Nature of business                            | Consolidated financial statements |             |             |             |                        |             |
|---------------------------|-----------------------------------------------|-----------------------------------|-------------|-------------|-------------|------------------------|-------------|
|                           |                                               | Shareholding                      |             | Cost        |             | Carrying amounts based |             |
|                           |                                               | percentage                        |             |             |             | on equity method       |             |
|                           |                                               | <u>2017</u>                       | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u>            | <u>2016</u> |
|                           |                                               | (%)                               | (%)         |             |             |                        |             |
| Siam Elite Palm Co., Ltd. | Production and distribution of oil palm seeds | 50                                | 50          | 25,000      | 25,000      | 31,594                 | 42,353      |
| Total                     |                                               |                                   |             | 25,000      | 25,000      | 31,594                 | 42,353      |

### 12.2 Share of comprehensive income and dividend received

During the years, the subsidiary recognised its share of loss and other comprehensive income from investment in the joint venture in the consolidated financial statements as follows:

(Unit: Thousand Baht)

|                           | Consolidated financial statements |             |                             |             |
|---------------------------|-----------------------------------|-------------|-----------------------------|-------------|
|                           | Share of loss                     |             | Share of other              |             |
|                           | from investment in                |             | comprehensive income from   |             |
|                           | joint venture                     |             | investment in joint venture |             |
|                           | <u>2017</u>                       | <u>2016</u> | <u>2017</u>                 | <u>2016</u> |
| Siam Elite Palm Co., Ltd. | (10,192)                          | (11,321)    | 183                         | -           |
| Total                     | (10,192)                          | (11,321)    | 183                         | -           |

During the year ended 31 December 2017, the subsidiary received dividend from investment in the joint venture of approximately Baht 0.75 million (2016: Baht 2.0 million).



### 12.3 Summarised financial information about joint venture

#### Siam Elite Palm Company Limited

##### Summarised information about financial position

(Unit: Thousand Baht)

|                                                                     | As at 31 December |                 |
|---------------------------------------------------------------------|-------------------|-----------------|
|                                                                     | <u>2017</u>       | <u>2016</u>     |
| Current assets                                                      | 35,475            | 58,373          |
| Non-current assets                                                  | 36,934            | 36,828          |
| <b>Total assets</b>                                                 | <b>72,409</b>     | <b>95,201</b>   |
| Current liabilities                                                 | (6,712)           | (7,363)         |
| Non-current liabilities                                             | (2,509)           | (3,132)         |
| <b>Total liabilities</b>                                            | <b>(9,221)</b>    | <b>(10,495)</b> |
| <b>Net assets</b>                                                   | <b>63,188</b>     | <b>84,706</b>   |
| Shareholding percentage (%)                                         | 50                | 50              |
| <b>Share of net assets</b>                                          | <b>31,594</b>     | <b>42,353</b>   |
| Elimination entries                                                 | -                 | -               |
| <b>Carrying amounts of joint venture<br/>based on equity method</b> | <b>31,594</b>     | <b>42,353</b>   |

##### Summarised information about comprehensive income

(Unit: Thousand Baht)

|                                                     | For the years ended 31 December |                 |
|-----------------------------------------------------|---------------------------------|-----------------|
|                                                     | <u>2017</u>                     | <u>2016</u>     |
| Revenue                                             | 26,456                          | 46,364          |
| Cost of sales                                       | (15,703)                        | (24,874)        |
| Loss from change in fair value of biological assets | (15,330)                        | (24,347)        |
| Selling and administrative expenses                 | (15,741)                        | (19,724)        |
| Income tax expenses                                 | (65)                            | (61)            |
| Loss for the year                                   | (20,383)                        | (22,642)        |
| Other comprehensive income                          | 365                             | -               |
| <b>Total comprehensive income</b>                   | <b>(20,018)</b>                 | <b>(22,642)</b> |

### 13. Investment in associated company

| Company's name        | Nature of business | Country of incorporation | Consolidated financial statements |              |                         |         |
|-----------------------|--------------------|--------------------------|-----------------------------------|--------------|-------------------------|---------|
|                       |                    |                          | Paid-up capital                   |              | Shareholding percentage |         |
|                       |                    |                          | 2017                              | 2016         | 2017                    | 2016    |
|                       |                    |                          | Million Baht                      | Million Baht | Percent                 | Percent |
| Union Fresh Co., Ltd. | Dormant            | Thailand                 | 30                                | 30           | 40                      | 40      |

(Unit: Thousand Baht)

| Company's name        | Consolidated financial statements |        |                                             |          |                                            |      |                                        |      |
|-----------------------|-----------------------------------|--------|---------------------------------------------|----------|--------------------------------------------|------|----------------------------------------|------|
|                       | Cost                              |        | Allowance for impairment loss of investment |          | Carrying amount based on cost method - net |      | Carrying amount based on equity method |      |
|                       | 2017                              | 2016   | 2017                                        | 2016     | 2017                                       | 2016 | 2017                                   | 2016 |
|                       |                                   |        |                                             |          |                                            |      |                                        |      |
| Union Fresh Co., Ltd. | 12,000                            | 12,000 | (12,000)                                    | (12,000) | -                                          | -    | -                                      | -    |

### 14. Other long-term investments

(Unit: Thousand Baht)

|                                                          | Consolidated financial statements |              | Separate financial statements |              |
|----------------------------------------------------------|-----------------------------------|--------------|-------------------------------|--------------|
|                                                          | 2017                              | 2016         | 2017                          | 2016         |
|                                                          |                                   |              |                               |              |
| <b>Other long-term investments - cost</b>                |                                   |              |                               |              |
| <b><u>Equity securities</u></b>                          |                                   |              |                               |              |
| Ichitan Group Plc.                                       | -                                 | 975          | -                             | 975          |
| Open-ended Kumlai Perm Poon Fund                         | 1,000                             | 1,000        | 1,000                         | 1,000        |
| Open-ended TCM Equity Fund                               | 300                               | 300          | 300                           | 300          |
| Open-ended Kiatnakin Fund                                | 200                               | 200          | 200                           | 200          |
| Datamat Plc.                                             | 16                                | 16           | 16                            | 16           |
| Standard Chartered Bank (Thai) Plc.                      | 2                                 | 2            | 2                             | 2            |
| Phracharat Laksammakkee Trang                            | 5                                 | 5            | 5                             | 5            |
| Total                                                    | 1,523                             | 2,498        | 1,523                         | 2,498        |
| Less: Unrealised loss on changes in value of investments | (521)                             | (849)        | (521)                         | (849)        |
| <b>Other long-term investments - fair value</b>          | <b>1,002</b>                      | <b>1,649</b> | <b>1,002</b>                  | <b>1,649</b> |

## 15. Long-term loans to other companies

As at 31 December 2017, a subsidiary had unsecured loans to other companies, amounting to approximately Baht 21.2 million (2016: Baht 60.5 million). The loans carry interest at a rate of THBFIX plus 1% per annum and are due for repayment end of June and December of every year with the last payment in June 2040.

## 16. Investment properties

The net book value of investment properties as at 31 December 2017 and 2016 is presented below.

(Unit: Thousand Baht)

|                                | As at 31 December 2017            |                 |          |                               |                 |          |
|--------------------------------|-----------------------------------|-----------------|----------|-------------------------------|-----------------|----------|
|                                | Consolidated financial statements |                 |          | Separate financial statements |                 |          |
|                                | Land                              | Office building | Total    | Land                          | Office building | Total    |
| Cost                           | 63,795                            | 141,950         | 205,745  | 5,615                         | 33,973          | 39,588   |
| Less: Accumulated depreciation | -                                 | (78,461)        | (78,461) | -                             | (33,973)        | (33,973) |
| Allowance for impairment       | (4,838)                           | (58,755)        | (63,593) | -                             | -               | -        |
| Net book value                 | 58,957                            | 4,734           | 63,691   | 5,615                         | -               | 5,615    |

(Unit: Thousand Baht)

|                                | As at 31 December 2016            |                 |          |                               |                 |          |
|--------------------------------|-----------------------------------|-----------------|----------|-------------------------------|-----------------|----------|
|                                | Consolidated financial statements |                 |          | Separate financial statements |                 |          |
|                                | Land                              | Office building | Total    | Land                          | Office building | Total    |
| Cost                           | 63,795                            | 142,296         | 206,091  | 5,615                         | 33,973          | 39,588   |
| Less: Accumulated depreciation | -                                 | (78,144)        | (78,144) | -                             | (33,970)        | (33,970) |
| Allowance for impairment       | (4,838)                           | (58,755)        | (63,593) | -                             | -               | -        |
| Net book value                 | 58,957                            | 5,397           | 64,354   | 5,615                         | 3               | 5,618    |

A reconciliation of the net book value of investment properties for the years 2017 and 2016 is presented below.

|                                     | (Unit: Thousand Baht) |               |                      |              |
|-------------------------------------|-----------------------|---------------|----------------------|--------------|
|                                     | Consolidated          |               | Separate             |              |
|                                     | financial statements  |               | financial statements |              |
|                                     | <u>2017</u>           | <u>2016</u>   | <u>2017</u>          | <u>2016</u>  |
| Net book value at beginning of year | 64,354                | 65,022        | 5,618                | 6,563        |
| Depreciation for the year           | (663)                 | (668)         | (3)                  | (945)        |
| Net book value at end of year       | <u>63,691</u>         | <u>64,354</u> | <u>5,615</u>         | <u>5,618</u> |

The fair value of land and office building of the Company as at 31 December 2017 was determined at approximately Baht 26 million (2016: Baht 30 million) using the income approach.

The fair value of land and building of the subsidiary was determined based on valuation performed by an independent professional valuer. As at 31 December 2017, the fair value of the land was determined to be Baht 95 million on the basis of market approach, while that of the building was determined to be Baht 62 million using the replacement cost approach. The fair value of the building was not determined based on the income approach because it is not used for rental (2016: Baht 95 million and Baht 62 million, respectively).

Key assumptions used in the valuation are summarised below.

|                             | Consolidated         | Separate             | Result to fair value where |
|-----------------------------|----------------------|----------------------|----------------------------|
|                             | financial statements | financial statements | as an increase in          |
|                             |                      |                      | assumption value           |
| Yield rate (%)              | -                    | 7                    | Decrease in fair value     |
| Price per square wah (Baht) | 160 - 7,200          | 290                  | Increase in fair value     |

## 17. Property, plant and equipment

(Unit: Thousand Baht)

|                               | Consolidated financial statements |                           |                          |                                                                            |                                          |                |                                            | Total     |
|-------------------------------|-----------------------------------|---------------------------|--------------------------|----------------------------------------------------------------------------|------------------------------------------|----------------|--------------------------------------------|-----------|
|                               | Land and land improvement         | Land awaiting development | Building and improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation |           |
| <b>Cost</b>                   |                                   |                           |                          |                                                                            |                                          |                |                                            |           |
| 1 January 2016                | 760,425                           | 76,476                    | 1,014,056                | 2,895,745                                                                  | 115,045                                  | 252,641        | 141,748                                    | 5,256,136 |
| Additions                     | 2,506                             | -                         | 43,987                   | 38,506                                                                     | 1,894                                    | 3,813          | 132,544                                    | 223,250   |
| Capitalised interest          | -                                 | -                         | 135                      | 261                                                                        | -                                        | -              | 354                                        | 750       |
| Disposals/write off           | -                                 | -                         | (370)                    | (57,328)                                                                   | (1,867)                                  | (7,721)        | -                                          | (67,286)  |
| Transfer in (transfer out)    | (3,966)                           | 13,881                    | 51,477                   | 119,781                                                                    | 2,392                                    | 1,106          | (184,671)                                  | -         |
| Transfer to intangible assets | -                                 | -                         | -                        | (1,071)                                                                    | -                                        | -              | -                                          | (1,071)   |
| 31 December 2016              | 758,965                           | 90,357                    | 1,109,285                | 2,995,894                                                                  | 117,464                                  | 249,839        | 89,975                                     | 5,411,779 |
| Additions                     | 1,005                             | -                         | 18,543                   | 51,212                                                                     | 9,027                                    | 8,328          | 77,464                                     | 165,579   |
| Capitalised interest          | -                                 | -                         | 59                       | 210                                                                        | -                                        | -              | 422                                        | 691       |
| Disposals/write off           | -                                 | -                         | (445)                    | (65,848)                                                                   | (1,545)                                  | (21,238)       | (80)                                       | (89,156)  |
| Transfer in (transfer out)    | -                                 | -                         | 11,159                   | 87,578                                                                     | 93                                       | -              | (98,830)                                   | -         |
| 31 December 2017              | 759,970                           | 90,357                    | 1,138,601                | 3,069,046                                                                  | 125,039                                  | 236,929        | 68,951                                     | 5,488,893 |

(Unit: Thousand Baht)

## Consolidated financial statements

|                                     | Land and land improvement | Land awaiting development | Building and building improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation | Total     |
|-------------------------------------|---------------------------|---------------------------|-----------------------------------|----------------------------------------------------------------------------|------------------------------------------|----------------|--------------------------------------------|-----------|
| <b>Accumulated depreciation</b>     |                           |                           |                                   |                                                                            |                                          |                |                                            |           |
| 1 January 2016                      | -                         | -                         | 618,155                           | 1,821,530                                                                  | 102,479                                  | 189,264        | -                                          | 2,731,428 |
| Depreciation for the year           | -                         | -                         | 51,035                            | 154,403                                                                    | 4,228                                    | 23,726         | -                                          | 233,392   |
| Depreciation on disposals/write off | -                         | -                         | (188)                             | (56,005)                                                                   | (1,841)                                  | (7,266)        | -                                          | (65,300)  |
| 31 December 2016                    | -                         | -                         | 669,002                           | 1,919,928                                                                  | 104,866                                  | 205,724        | -                                          | 2,899,520 |
| Depreciation for the year           | -                         | -                         | 51,855                            | 152,167                                                                    | 4,865                                    | 19,555         | -                                          | 228,442   |
| Depreciation on disposals/write off | -                         | -                         | (445)                             | (43,676)                                                                   | (1,537)                                  | (20,707)       | -                                          | (66,365)  |
| 31 December 2017                    | -                         | -                         | 720,412                           | 2,028,419                                                                  | 108,194                                  | 204,572        | -                                          | 3,061,597 |
| <b>Allowance for impairment</b>     |                           |                           |                                   |                                                                            |                                          |                |                                            |           |
| 1 January 2016                      | 14,638                    | -                         | -                                 | 83,678                                                                     | 159                                      | 303            | -                                          | 98,778    |
| Decrease during the year            | -                         | -                         | -                                 | -                                                                          | -                                        | (266)          | -                                          | (266)     |
| 31 December 2016                    | 14,638                    | -                         | -                                 | 83,678                                                                     | 159                                      | 37             | -                                          | 98,512    |
| Decrease during the year            | -                         | -                         | -                                 | (21,716)                                                                   | -                                        | -              | -                                          | (21,716)  |
| 31 December 2017                    | 14,638                    | -                         | -                                 | 61,962                                                                     | 159                                      | 37             | -                                          | 76,796    |
| <b>Net book value</b>               |                           |                           |                                   |                                                                            |                                          |                |                                            |           |
| 31 December 2016                    | 744,327                   | 90,357                    | 440,283                           | 992,288                                                                    | 12,439                                   | 44,078         | 89,975                                     | 2,413,747 |
| 31 December 2017                    | 745,332                   | 90,357                    | 418,189                           | 978,665                                                                    | 16,686                                   | 32,320         | 68,951                                     | 2,350,500 |

**Depreciation for the year**

2016 (Baht 220.6 million included in manufacturing cost, and the balance in administrative expenses)

233,392

2017 (Baht 216.3 million included in manufacturing cost, and the balance in administrative expenses)

228,442

(Unit: Thousand Baht)

## Separate financial statements

|                               | Land   | Building and<br>improvement | Machinery and<br>factory and<br>agricultural<br>equipment and<br>waste water<br>treatment | Furniture,<br>fixtures and office<br>equipment | Motor vehicles | Assets under<br>construction<br>and installation | Total     |
|-------------------------------|--------|-----------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------|----------------|--------------------------------------------------|-----------|
| <b>Cost</b>                   |        |                             |                                                                                           |                                                |                |                                                  |           |
| 1 January 2016                | 25,836 | 384,933                     | 1,391,213                                                                                 | 39,156                                         | 51,602         | 65,616                                           | 1,958,356 |
| Additions                     | -      | -                           | 8,420                                                                                     | 450                                            | 116            | 96,558                                           | 105,544   |
| Capitalised interest          | -      | -                           | -                                                                                         | -                                              | -              | 165                                              | 165       |
| Disposals/write off           | -      | (65)                        | (10,961)                                                                                  | (718)                                          | (1,545)        | -                                                | (13,289)  |
| Transfer in (transfer out)    | -      | 25,116                      | 88,875                                                                                    | 2,393                                          | 400            | (116,784)                                        | -         |
| Transfer to intangible assets | -      | -                           | (1,071)                                                                                   | -                                              | -              | -                                                | (1,071)   |
| 31 December 2016              | 25,836 | 409,984                     | 1,476,476                                                                                 | 41,281                                         | 50,573         | 45,555                                           | 2,049,705 |
| Additions                     | -      | -                           | 7,402                                                                                     | 621                                            | 2,702          | 30,155                                           | 40,880    |
| Disposals/write off           | -      | (445)                       | (21,278)                                                                                  | (1,270)                                        | (6,585)        | -                                                | (29,578)  |
| Transfer in (transfer out)    | -      | 4,972                       | 61,176                                                                                    | 93                                             | -              | (66,241)                                         | -         |
| 31 December 2017              | 25,836 | 414,511                     | 1,523,776                                                                                 | 40,725                                         | 46,690         | 9,469                                            | 2,061,007 |

(Unit: Thousand Baht)

## Separate financial statements

|                                                                                                     | Land   | Building and<br>building<br>improvement | Machinery and<br>factory and<br>agricultural<br>equipment and<br>waste water<br>treatment | Furniture,<br>fixtures and office<br>equipment | Motor vehicles | Assets under<br>construction and<br>installation | Total     |
|-----------------------------------------------------------------------------------------------------|--------|-----------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------|----------------|--------------------------------------------------|-----------|
| <b>Accumulated depreciation</b>                                                                     |        |                                         |                                                                                           |                                                |                |                                                  |           |
| 1 January 2016                                                                                      | -      | 238,424                                 | 786,290                                                                                   | 36,305                                         | 36,264         | -                                                | 1,097,283 |
| Depreciation for the year                                                                           | -      | 15,157                                  | 75,292                                                                                    | 1,394                                          | 5,009          | -                                                | 96,852    |
| Depreciation on disposals/write off                                                                 | -      | (65)                                    | (10,706)                                                                                  | (709)                                          | (1,545)        | -                                                | (13,025)  |
| 31 December 2016                                                                                    | -      | 253,516                                 | 850,876                                                                                   | 36,990                                         | 39,728         | -                                                | 1,181,110 |
| Depreciation for the year                                                                           | -      | 13,597                                  | 75,426                                                                                    | 1,433                                          | 4,788          | -                                                | 95,244    |
| Depreciation on disposals/write off                                                                 | -      | (445)                                   | (21,040)                                                                                  | (1,266)                                        | (6,501)        | -                                                | (29,252)  |
| 31 December 2017                                                                                    | -      | 266,668                                 | 905,262                                                                                   | 37,157                                         | 38,015         | -                                                | 1,247,102 |
| <b>Allowance for impairment</b>                                                                     |        |                                         |                                                                                           |                                                |                |                                                  |           |
| 31 December 2016                                                                                    | -      | -                                       | -                                                                                         | -                                              | -              | -                                                | -         |
| Increase during the year                                                                            | -      | -                                       | 30                                                                                        | -                                              | -              | -                                                | 30        |
| 31 December 2017                                                                                    | -      | -                                       | 30                                                                                        | -                                              | -              | -                                                | 30        |
| <b>Net book value</b>                                                                               |        |                                         |                                                                                           |                                                |                |                                                  |           |
| 31 December 2016                                                                                    | 25,836 | 156,468                                 | 625,600                                                                                   | 4,291                                          | 10,845         | 45,555                                           | 868,595   |
| 31 December 2017                                                                                    | 25,836 | 147,843                                 | 618,484                                                                                   | 3,568                                          | 8,675          | 9,469                                            | 813,875   |
| <b>Depreciation for the year</b>                                                                    |        |                                         |                                                                                           |                                                |                |                                                  |           |
| 2016 (Baht 88.3 million included in manufacturing cost, and the balance in administrative expenses) |        |                                         |                                                                                           |                                                |                |                                                  | 96,852    |
| 2017 (Baht 87.7 million included in manufacturing cost, and the balance in administrative expenses) |        |                                         |                                                                                           |                                                |                |                                                  | 95,244    |



During the year 2016, the Company capitalised borrowing costs amounting to Baht 0.2 million to the costs of machinery under installation. The weighted average rate of 2.6% per annum was used to determine the amount of borrowing costs eligible for capitalisation.

During the year 2017, the subsidiary capitalised borrowing costs amounting to Baht 0.7 million (2016: Baht 0.6 million) to the costs of plant enlargement and machinery installation. These borrowing costs were determined based on the borrowing costs of the general loans, and the weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 2.05% - 2.30% per annum (2016: 2.18% - 2.56% per annum).

As at 31 December 2017, certain plant and equipment items of the Company and its subsidiaries 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 1,845 million (2016: Baht 1,743 million) and for the Company amounted to approximately Baht 778 million (2016: Baht 756 million).

As at 31 December 2017, a subsidiary had vehicles with net book value of Baht 1.5 million (2016: Baht 2 million) which were acquired under finance lease agreements.

## 18. Cost of palm plantation

|                                                                   | Consolidated financial statements                  |                                                        |          | Separate<br>financial<br>statements                |
|-------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|----------|----------------------------------------------------|
|                                                                   | Cost of palm<br>plantation<br>ready for<br>harvest | Cost of palm<br>plantation<br>not ready for<br>harvest | Total    | Cost of palm<br>plantation<br>ready for<br>harvest |
|                                                                   |                                                    |                                                        |          | (Unit: Thousand Baht)                              |
| <b>Cost</b>                                                       |                                                    |                                                        |          |                                                    |
| 1 January 2016                                                    | 541,671                                            | 36,987                                                 | 578,658  | 294                                                |
| Additions                                                         | -                                                  | 31,039                                                 | 31,039   | -                                                  |
| Write off                                                         | (13,233)                                           | -                                                      | (13,233) | -                                                  |
| 31 December 2016                                                  | 528,438                                            | 68,026                                                 | 596,464  | 294                                                |
| Additions                                                         | 16,821                                             | 8,592                                                  | 25,413   | -                                                  |
| Write off                                                         | (170)                                              | -                                                      | (170)    | -                                                  |
| 31 December 2017                                                  | 545,089                                            | 76,618                                                 | 621,707  | 294                                                |
| <b>Accumulated amortisation</b>                                   |                                                    |                                                        |          |                                                    |
| 1 January 2016                                                    | 377,115                                            | -                                                      | 377,115  | 70                                                 |
| Amortisation for the year                                         | 10,511                                             | -                                                      | 10,511   | 12                                                 |
| Amortisation on write off                                         | (6,139)                                            | -                                                      | (6,139)  | -                                                  |
| 31 December 2016                                                  | 381,487                                            | -                                                      | 381,487  | 82                                                 |
| Amortisation for the year                                         | 9,346                                              | -                                                      | 9,346    | 11                                                 |
| Amortisation on write off                                         | (57)                                               | -                                                      | (57)     | -                                                  |
| 31 December 2017                                                  | 390,776                                            | -                                                      | 390,776  | 93                                                 |
| <b>Net book value</b>                                             |                                                    |                                                        |          |                                                    |
| 31 December 2016                                                  | 146,951                                            | 68,026                                                 | 214,977  | 212                                                |
| 31 December 2017                                                  | 154,313                                            | 76,618                                                 | 230,931  | 201                                                |
| <b>Amortisation for the year (included in manufacturing cost)</b> |                                                    |                                                        |          |                                                    |
| 2016                                                              |                                                    |                                                        | 10,511   | 12                                                 |
| 2017                                                              |                                                    |                                                        | 9,346    | 11                                                 |

Approximately 13,066 rai of the total area utilised by the subsidiary is with land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3) and for the remainder the subsidiary has possessory rights and is currently in the process of acquiring legal documentation of ownership.

A permit from the Royal Forest Department granted to a subsidiary for the exploitation or inhabitation in the National Reserved Forests had expired in January 2015. The subsidiary has used the land of 13,030 rai for palm oil plantation. The subsidiary is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under the consideration of such government unit.

However, on 27 April 2015, that subsidiary was granted a permission to gather forest product in the Nation Reserved Forest, and started to pay official royalty fee at the rate of 10% of the market price of oil palm and forest maintenance fee at a rate of double the official royalty fee, when harvesting the planted oil palm crops. As at 31 December 2017, net book value of the remaining palm plantation on this land was approximately Baht 0.1 million.

## 19. Intangible assets

The net book value of intangible assets, which represent computer software, as at 31 December 2017 and 2016 is presented below.

(Unit: Thousand Baht)

|                                | Consolidated financial statements |              | Separate financial statements |              |
|--------------------------------|-----------------------------------|--------------|-------------------------------|--------------|
|                                | <u>2017</u>                       | <u>2016</u>  | <u>2017</u>                   | <u>2016</u>  |
| Cost                           | 64,877                            | 60,357       | 28,516                        | 27,094       |
| Less: Accumulated amortisation | (54,200)                          | (51,660)     | (22,678)                      | (21,729)     |
| Allowance for impairment       | (394)                             | -            | (394)                         | -            |
| Net book value                 | <u>10,283</u>                     | <u>8,697</u> | <u>5,444</u>                  | <u>5,365</u> |

A reconciliation of the net book value of intangible assets for the years 2017 and 2016 is presented below.

(Unit: Thousand Baht)

|                                             | Consolidated financial statements |              | Separate financial statements |              |
|---------------------------------------------|-----------------------------------|--------------|-------------------------------|--------------|
|                                             | <u>2017</u>                       | <u>2016</u>  | <u>2017</u>                   | <u>2016</u>  |
| Net book value at beginning of year         | 8,697                             | 9,271        | 5,365                         | 4,997        |
| Acquisitions - cost                         | 4,520                             | 445          | 1,422                         | 81           |
| Transfer from property, plant and equipment | -                                 | 1,071        | -                             | 1,071        |
| Allowance for impairment                    | (394)                             | -            | (394)                         | -            |
| Amortisation for the year                   | (2,540)                           | (2,090)      | (949)                         | (784)        |
| Net book value at end of year               | <u>10,283</u>                     | <u>8,697</u> | <u>5,444</u>                  | <u>5,365</u> |

## 20. Short-term loans from financial institutions

(Unit: Thousand Baht)

|                  | Interest rate       |             | Consolidated         |           | Separate             |         |
|------------------|---------------------|-------------|----------------------|-----------|----------------------|---------|
|                  | (percent per annum) |             | financial statements |           | financial statements |         |
|                  | 2017                | 2016        | 2017                 | 2016      | 2017                 | 2016    |
| Short-term loans |                     |             |                      |           |                      |         |
| from financial   |                     |             |                      |           |                      |         |
| institutions     | 1.78 - 2.15         | 1.85 - 2.10 | 1,480,000            | 1,555,000 | 570,000              | 530,000 |
| Total            |                     |             | 1,480,000            | 1,555,000 | 570,000              | 530,000 |

The short-term loans from financial institutions of the Company and its subsidiaries are unsecured loans.

## 21. Trade and other payables

(Unit: Thousand Baht)

|                                           | Consolidated         |         | Separate             |         |
|-------------------------------------------|----------------------|---------|----------------------|---------|
|                                           | financial statements |         | financial statements |         |
|                                           | 2017                 | 2016    | 2017                 | 2016    |
| Trade payables - related parties          | 255                  | -       | 145,167              | 139,734 |
| Trade payables - unrelated parties        | 266,328              | 311,507 | 190,627              | 220,908 |
| Other payables - related parties          | 6,561                | 2,045   | -                    | -       |
| Other payables - unrelated parties        | 97,844               | 79,768  | 58,246               | 45,796  |
| Advance received from related parties     | 85                   | 7       | 119                  | 220     |
| Other payables for purchases of machinery | 9,143                | 5,833   | 3,070                | 2,826   |
| Accrued expenses                          | 115,149              | 128,356 | 75,379               | 65,156  |
| Total trade and other payables            | 495,365              | 527,516 | 472,608              | 474,640 |

## 22. Other current liabilities

(Unit: Thousand Baht)

|                                 | Consolidated         |        | Separate             |       |
|---------------------------------|----------------------|--------|----------------------|-------|
|                                 | financial statements |        | financial statements |       |
|                                 | 2017                 | 2016   | 2017                 | 2016  |
| Advance income                  | 28,613               | 13,423 | 15,870               | 6,648 |
| Accrued dividend                | 3,683                | 4,001  | 591                  | 694   |
| Others                          | 8,226                | 8,226  | 389                  | 651   |
| Total other current liabilities | 40,522               | 25,650 | 16,850               | 7,993 |

## 23. Long-term loans

(Unit: Million Baht)

| Loan facilities                              | Consolidated                 |                              | Separate                     |                              | Interest rate<br>(Percent per annum) | Repayment schedule                                                                      | Security      |
|----------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------|---------------|
|                                              | financial statements<br>2017 | financial statements<br>2016 | financial statements<br>2017 | financial statements<br>2016 |                                      |                                                                                         |               |
| <b><u>The Company and its subsidiary</u></b> |                              |                              |                              |                              |                                      |                                                                                         |               |
| 1. 245.10                                    | 96.01                        | 174.01                       | 96.01                        | 174.01                       | 3M BIBOR+1                           | Repayment in 12 quarterly installments,<br>starting 3 months after the last<br>drawdown | No collateral |
| 2. 100.00                                    | 37.50                        | 62.50                        | -                            | -                            | THBFIX                               | Repayment in 15 quarterly installments,<br>starting September 2015                      | No collateral |
| Total long-term loans                        | 133.51                       | 236.51                       | 96.01                        | 174.01                       |                                      |                                                                                         |               |
| Less: Current portion                        | (103.00)                     | (103.00)                     | (78.00)                      | (78.00)                      |                                      |                                                                                         |               |
| Long-term loans - net of current<br>portion  | <u>30.51</u>                 | <u>133.51</u>                | <u>18.01</u>                 | <u>96.01</u>                 |                                      |                                                                                         |               |

The loan agreements contain covenants that, among other things, require the Company and its subsidiary to maintain condition for dividend payments, the proportion of shareholding of the major shareholders and the maintenance of certain financial ratios at the rate prescribed in the agreements.

#### 24. Liabilities under finance lease agreements

|                                                                        | (Unit: Thousand Baht) |                   |
|------------------------------------------------------------------------|-----------------------|-------------------|
|                                                                        | Consolidated          |                   |
|                                                                        | financial statements  |                   |
|                                                                        | <u>2017</u>           | <u>2016</u>       |
| Liabilities under finance lease agreements                             | 1,026                 | 1,562             |
| Less: Deferred interest expenses                                       | (70)                  | (156)             |
| Total                                                                  | <u>956</u>            | <u>1,406</u>      |
| Less: Portion due within one year                                      | <u>(573)</u>          | <u>(573)</u>      |
| Liabilities under finance lease agreements -<br>net of current portion | <u><u>383</u></u>     | <u><u>833</u></u> |

The subsidiary has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 4 years.

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

|                                                | (Unit: Million Baht)   |             |            |
|------------------------------------------------|------------------------|-------------|------------|
|                                                | As at 31 December 2017 |             |            |
|                                                | Less than              |             |            |
|                                                | 1 year                 | 1 - 4 years | Total      |
| Future minimum lease payments                  | 0.7                    | 0.4         | 1.1        |
| Deferred interest expenses                     | (0.1)                  | -           | (0.1)      |
| Present value of future minimum lease payments | <u>0.6</u>             | <u>0.4</u>  | <u>1.0</u> |

|                                                | (Unit: Million Baht)   |             |            |
|------------------------------------------------|------------------------|-------------|------------|
|                                                | As at 31 December 2016 |             |            |
|                                                | Less than              |             |            |
|                                                | 1 year                 | 1 - 4 years | Total      |
| Future minimum lease payments                  | 0.7                    | 0.9         | 1.6        |
| Deferred interest expenses                     | (0.1)                  | (0.1)       | (0.2)      |
| Present value of future minimum lease payments | <u>0.6</u>             | <u>0.8</u>  | <u>1.4</u> |

## 25. Provision for long-term employee benefits

Provision for long-term employee benefits was presented as follows:

(Unit: Thousand Baht)

|                                                                 | Consolidated financial statements           |                                   |                |                                             |                                   |               |
|-----------------------------------------------------------------|---------------------------------------------|-----------------------------------|----------------|---------------------------------------------|-----------------------------------|---------------|
|                                                                 | 2017                                        |                                   |                | 2016                                        |                                   |               |
|                                                                 | Employee retirement benefit under labor law | Other long-term employee benefits | Total          | Employee retirement benefit under labor law | Other long-term employee benefits | Total         |
| <b>Defined benefit obligations at beginning of year</b>         | 55,325                                      | 1,152                             | 56,477         | 66,075                                      | 1,457                             | 67,532        |
| Current service cost                                            | 10,366                                      | 213                               | 10,579         | 6,450                                       | 124                               | 6,574         |
| Interest cost                                                   | 3,556                                       | 55                                | 3,611          | 4,017                                       | 57                                | 4,074         |
| Actuarial loss arising from                                     |                                             |                                   |                |                                             |                                   |               |
| Demographic assumptions changes                                 | 17,380                                      | 130                               | 17,510         | -                                           | -                                 | -             |
| Financial assumptions changes                                   | 15,549                                      | 187                               | 15,736         | -                                           | -                                 | -             |
| Experience adjustments                                          | 51,046                                      | 1,322                             | 52,368         | -                                           | -                                 | -             |
| Benefits paid during the year                                   | (23,270)                                    | (673)                             | (23,943)       | (21,217)                                    | (486)                             | (21,703)      |
| <b>Provision for long-term employee benefits at end of year</b> | <u>129,952</u>                              | <u>2,386</u>                      | <u>132,338</u> | <u>55,325</u>                               | <u>1,152</u>                      | <u>56,477</u> |

(Unit: Thousand Baht)

Separate financial statements

|                                                                 | 2017                                        |                                   |               | 2016                                        |                                   |               |
|-----------------------------------------------------------------|---------------------------------------------|-----------------------------------|---------------|---------------------------------------------|-----------------------------------|---------------|
|                                                                 | Employee retirement benefit under labor law | Other long-term employee benefits | Total         | Employee retirement benefit under labor law | Other long-term employee benefits | Total         |
| <b>Defined benefit obligations at beginning of year</b>         | 23,780                                      | 1,152                             | 24,932        | 29,142                                      | 1,457                             | 30,599        |
| Current service cost                                            | 6,562                                       | 213                               | 6,775         | 2,668                                       | 124                               | 2,792         |
| Interest cost                                                   | 1,760                                       | 55                                | 1,815         | 2,072                                       | 57                                | 2,129         |
| Actuarial loss arising from                                     |                                             |                                   |               |                                             |                                   |               |
| Demographic assumptions changes                                 | 7,972                                       | 130                               | 8,102         | -                                           | -                                 | -             |
| Financial assumptions changes                                   | 9,115                                       | 187                               | 9,302         | -                                           | -                                 | -             |
| Experience adjustments                                          | 32,761                                      | 1,322                             | 34,083        | -                                           | -                                 | -             |
| Benefits paid during the year                                   | (13,530)                                    | (673)                             | (14,203)      | (10,102)                                    | (486)                             | (10,588)      |
| <b>Provision for long-term employee benefits at end of year</b> | <u>68,420</u>                               | <u>2,386</u>                      | <u>70,806</u> | <u>23,780</u>                               | <u>1,152</u>                      | <u>24,932</u> |



Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

|                                                                     | Consolidated financial statements           |                                   |               |                                             |                                   |               |
|---------------------------------------------------------------------|---------------------------------------------|-----------------------------------|---------------|---------------------------------------------|-----------------------------------|---------------|
|                                                                     | 2017                                        |                                   |               | 2016                                        |                                   |               |
|                                                                     | Employee retirement benefit under labor law | Other long-term employee benefits | Total         | Employee retirement benefit under labor law | Other long-term employee benefits | Total         |
| Current service cost                                                | 10,366                                      | 213                               | 10,579        | 6,450                                       | 124                               | 6,574         |
| Interest cost                                                       | 3,556                                       | 55                                | 3,611         | 4,017                                       | 57                                | 4,074         |
| Actuarial loss recognised during the year                           | -                                           | 1,639                             | 1,639         | -                                           | -                                 | -             |
| <b>Total expenses recognised in profit or loss</b>                  | <b>13,922</b>                               | <b>1,907</b>                      | <b>15,829</b> | <b>10,467</b>                               | <b>181</b>                        | <b>10,648</b> |
| Line items in profit or loss under which such expenses are included |                                             |                                   |               |                                             |                                   |               |
| Cost of sales                                                       |                                             |                                   | 6,618         |                                             |                                   | 5,447         |
| Selling and administrative expenses                                 |                                             |                                   | 9,211         |                                             |                                   | 5,201         |

(Unit: Thousand Baht)

Separate financial statements

|                                                                     | 2017                                        |                                   |               | 2016                                        |                                   |              |
|---------------------------------------------------------------------|---------------------------------------------|-----------------------------------|---------------|---------------------------------------------|-----------------------------------|--------------|
|                                                                     | Employee retirement benefit under labor law | Other long-term employee benefits | Total         | Employee retirement benefit under labor law | Other long-term employee benefits | Total        |
| Current service cost                                                | 6,562                                       | 213                               | 6,775         | 2,668                                       | 124                               | 2,792        |
| Interest cost                                                       | 1,760                                       | 55                                | 1,815         | 2,072                                       | 57                                | 2,129        |
| Actuarial loss recognised during the year                           | -                                           | 1,639                             | 1,639         | -                                           | -                                 | -            |
| <b>Total expenses recognised in profit or loss</b>                  | <b>8,322</b>                                | <b>1,907</b>                      | <b>10,229</b> | <b>4,740</b>                                | <b>181</b>                        | <b>4,921</b> |
| Line items in profit or loss under which such expenses are included |                                             |                                   |               |                                             |                                   |              |
| Cost of sales                                                       |                                             |                                   | 3,165         |                                             |                                   | 2,224        |
| Selling and administrative expenses                                 |                                             |                                   | 7,064         |                                             |                                   | 2,697        |

The Company and its subsidiaries expect to pay Baht 18.8 million of long-term employee benefits during the next year (Separate financial statements: Baht 11.4 million) (2016: Baht 8.4 million, separate financial statements: Baht 6.7 million).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefits is 10 - 16 years (Separate financial statements: 10 years) (2016: 14 - 27 years, separate financial statements: 17 - 27 years).

Significant actuarial assumptions used for the valuation are as follows:

|                                        | Consolidated         |               | Separate             |               |
|----------------------------------------|----------------------|---------------|----------------------|---------------|
|                                        | financial statements |               | financial statements |               |
|                                        | <u>2017</u>          | <u>2016</u>   | <u>2017</u>          | <u>2016</u>   |
|                                        | (% per annum)        | (% per annum) | (% per annum)        | (% per annum) |
| Discount rate                          | 2.50 - 4.80          | 4.30 - 4.80   | 2.50                 | 4.52, 4.77    |
| Salary increase rate                   | 2.0 - 5.0            | 2.0 - 5.0     | 5.0                  | 5.0           |
| Staff turnover rate (depending on age) | 0 - 50               | 0 - 46        | 0 - 40               | 0 - 46        |

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below.

(Unit: Million Baht)

As at 31 December 2017

|                      | Consolidated         |                      | Separate             |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
|                      | financial statements |                      | financial statements |                      |
|                      | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> |
| Discount rate        | (5.40)               | 6.27                 | (2.11)               | 2.69                 |
| Salary increase rate | 5.57                 | (5.29)               | 1.74                 | (1.70)               |
| Staff turnover rate  | (5.59)               | 6.04                 | (1.90)               | 2.01                 |

(Unit: Million Baht)

As at 31 December 2016

|                      | Consolidated         |                      | Separate             |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
|                      | financial statements |                      | financial statements |                      |
|                      | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> |
| Discount rate        | (2.45)               | 2.61                 | (1.08)               | 1.13                 |
| Salary increase rate | 3.68                 | (3.49)               | 1.64                 | (1.57)               |
| Staff turnover rate  | (3.97)               | 4.20                 | (1.85)               | 1.95                 |

## 26. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve is fully set aside by the Company.

Statutory reserve of the subsidiaries in the consolidated financial statements are presented in proportion to the Company's interest.

## 27. Expenses by nature

Significant expenses classified by nature are as follows:

|                                                                 | (Unit: Thousand Baht) |             |                      |             |
|-----------------------------------------------------------------|-----------------------|-------------|----------------------|-------------|
|                                                                 | Consolidated          |             | Separate             |             |
|                                                                 | financial statements  |             | financial statements |             |
|                                                                 | <u>2017</u>           | <u>2016</u> | <u>2017</u>          | <u>2016</u> |
| Raw materials and consumables used                              | 6,236,649             | 6,473,181   | 4,711,549            | 4,886,568   |
| Changes in inventories of finished goods and<br>work in process | (37,128)              | (256,958)   | (21,409)             | (334,217)   |
| Salary and wages and other employee benefits                    | 746,899               | 773,065     | 290,129              | 302,853     |
| Depreciation and amortisation                                   | 240,992               | 246,660     | 96,207               | 98,593      |
| Promotion expenses                                              | 203,412               | 217,822     | 140,488              | 148,246     |
| Transportation expenses                                         | 168,649               | 157,002     | 101,485              | 92,290      |
| Repair and maintenance expenses                                 | 38,114                | 95,535      | 16,004               | 21,734      |
| Rental expenses from operating lease<br>agreements              | 46,144                | 41,676      | 5,480                | 4,490       |
| Loss on exchange                                                | 14,280                | -           | 417                  | -           |

## 28. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

|                                                                               | (Unit: Thousand Baht) |               |                      |               |
|-------------------------------------------------------------------------------|-----------------------|---------------|----------------------|---------------|
|                                                                               | Consolidated          |               | Separate             |               |
|                                                                               | financial statements  |               | financial statements |               |
|                                                                               | <u>2017</u>           | <u>2016</u>   | <u>2017</u>          | <u>2016</u>   |
| <b>Current income tax:</b>                                                    |                       |               |                      |               |
| Current income tax charge                                                     | 72,820                | 92,469        | 24,610               | 10,399        |
| Adjustment in respect of income tax expenses of previous year                 | -                     | (99)          | -                    | -             |
| <b>Deferred tax:</b>                                                          |                       |               |                      |               |
| Relating to origination and reversal of temporary differences                 | (3,851)               | 2,570         | 625                  | (70)          |
| <b>Income tax expenses reported in the statements of comprehensive income</b> | <u>68,969</u>         | <u>94,940</u> | <u>25,235</u>        | <u>10,329</u> |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

|                                                                                            | (Unit: Thousand Baht) |             |                      |             |
|--------------------------------------------------------------------------------------------|-----------------------|-------------|----------------------|-------------|
|                                                                                            | Consolidated          |             | Separate             |             |
|                                                                                            | financial statements  |             | financial statements |             |
|                                                                                            | <u>2017</u>           | <u>2016</u> | <u>2017</u>          | <u>2016</u> |
| Deferred tax relating to gain or loss on change in value of available-for-sale investments | 66                    | (11)        | 66                   | (11)        |
| Deferred tax relating to actuarial loss                                                    | (16,795)              | -           | (9,970)              | -           |
| Income tax charged directly to other comprehensive income                                  | <u>(16,729)</u>       | <u>(11)</u> | <u>(9,904)</u>       | <u>(11)</u> |

The reconciliation between accounting profit and income tax expenses is shown below.

(Unit: Thousand Baht)

|                                                                                                           | Consolidated         |                 | Separate             |                 |
|-----------------------------------------------------------------------------------------------------------|----------------------|-----------------|----------------------|-----------------|
|                                                                                                           | financial statements |                 | financial statements |                 |
|                                                                                                           | <u>2017</u>          | <u>2016</u>     | <u>2017</u>          | <u>2016</u>     |
| Accounting profit before tax                                                                              | <u>469,761</u>       | <u>449,821</u>  | <u>265,684</u>       | <u>148,445</u>  |
| Applicable tax rate                                                                                       | 0% and 20%           | 0% and 20%      | 20%                  | 20%             |
| Accounting profit before tax multiplied by<br>income tax rate                                             | 100,801              | 106,890         | 53,137               | 29,689          |
| Adjustment in respect of current income<br>tax of previous year                                           | -                    | (99)            | -                    | -               |
| Effects of:                                                                                               |                      |                 |                      |                 |
| Promotional privileges (Note 29)                                                                          | (23,070)             | (1,996)         | (21,467)             | (2,785)         |
| Share of loss from investment<br>in joint venture                                                         | 2,038                | 2,264           | -                    | -               |
| Non-deductible expenses                                                                                   | 1,342                | 3,591           | 869                  | 667             |
| Additional expense deductions allowed                                                                     | (7,443)              | (17,427)        | (7,304)              | (17,242)        |
| Tax loss for the year unrecognised as<br>deferred tax assets                                              | -                    | 1,957           | -                    | -               |
| Tax loss brought forward which was<br>unrecognised as deferred tax assets<br>and utilised during the year | (4,167)              | -               | -                    | -               |
| Others                                                                                                    | (532)                | (240)           | -                    | -               |
| Total                                                                                                     | <u>(31,832)</u>      | <u>(11,851)</u> | <u>(27,902)</u>      | <u>(19,360)</u> |
| Income tax expenses reported in the<br>statements of comprehensive income                                 | <u>68,969</u>        | <u>94,940</u>   | <u>25,235</u>        | <u>10,329</u>   |

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

|                                                                       | (Unit: Thousand Baht)             |               |                                |              |
|-----------------------------------------------------------------------|-----------------------------------|---------------|--------------------------------|--------------|
|                                                                       | Consolidated financial statements |               | Separated financial statements |              |
|                                                                       | 2017                              | 2016          | 2017                           | 2016         |
| <b>Deferred tax assets</b>                                            |                                   |               |                                |              |
| Allowance for doubtful accounts                                       | 18,910                            | 21,518        | 3,559                          | 3,479        |
| Allowance for diminution in inventory value                           | 3,797                             | 3,912         | -                              | 28           |
| Allowance for impairment loss of investment in associated company     | 2,400                             | 2,400         | -                              | -            |
| Unrealised loss on changes in value of available-for-sale investments | 104                               | 170           | 104                            | 170          |
| Allowance for asset impairment                                        | 3,287                             | 3,256         | 85                             | -            |
| Provision for long-term employee benefits                             | 26,500                            | 10,109        | 14,194                         | 4,986        |
| Provision for land rental                                             | 202                               | 298           | -                              | -            |
| <b>Total</b>                                                          | <b>55,200</b>                     | <b>41,663</b> | <b>17,942</b>                  | <b>8,663</b> |
| <b>Deferred tax liabilities</b>                                       |                                   |               |                                |              |
| Change in fair value of biological assets                             | 3,186                             | 10,230        | -                              | -            |
| <b>Total</b>                                                          | <b>3,186</b>                      | <b>10,230</b> | <b>-</b>                       | <b>-</b>     |
| <b>Total deferred tax assets - net</b>                                | <b>52,014</b>                     | <b>31,433</b> | <b>17,942</b>                  | <b>8,663</b> |

Deferred tax assets and liabilities are presented in the statements of financial position as at 31 December 2017 and 2016 as below.

|                          | (Unit: Thousand Baht)             |               |                                |              |
|--------------------------|-----------------------------------|---------------|--------------------------------|--------------|
|                          | Consolidated financial statements |               | Separated financial statements |              |
|                          | 2017                              | 2016          | 2017                           | 2016         |
| Deferred tax assets      | 52,014                            | 36,896        | 17,942                         | 8,663        |
| Deferred tax liabilities | -                                 | (5,463)       | -                              | -            |
| <b>Net</b>               | <b>52,014</b>                     | <b>31,433</b> | <b>17,942</b>                  | <b>8,663</b> |

As at 31 December 2017, the subsidiary had deductible temporary differences and unused tax losses totaling Baht 302 million (2016: Baht 376 million), on which deferred tax assets have not been recognised as the subsidiary believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses of the subsidiary amounting to Baht 170 million will gradually expire by 2021.

## 29. Promotional privileges

The Company and its subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment in respect of manufacture of products as stipulated in the promotion certificates as follows:

### **The Company**

| <u>Certificate No.</u> | <u>Operation</u>                         |
|------------------------|------------------------------------------|
| 1815(2)/2549           | Manufacture of crude palm oil            |
| 1013(9)/2551           | Manufacture of electricity from biogases |
| 2093(2)/2550           | Manufacture of pure vegetable oil        |
| 59-1529-0-05-1-0       | Manufacture of pure vegetable oil        |

### **Subsidiaries**

| <u>Certificate No.</u> | <u>Operation</u>                                                                          |
|------------------------|-------------------------------------------------------------------------------------------|
| 1043(2)/2548           | Manufacture of crude palm oil and palm kernel seed and electricity from biomasses product |
| 2088(2)/2547           | Manufacture of fruits and vegetables                                                      |
| 2121(2)/2547           | Manufacture of fruits and vegetables into products and fermented soybeans                 |
| 2112(5)/2547           | Manufacture of frozen fruits and vegetables                                               |
| 2245(9)/2550           | Manufacture of electricity from biogases                                                  |

The significant privileges include exemption from corporate income tax on income from the promoted operations for a period of eight years, commencing from the date of first earning operating income (except certificate No. 1815(2)/2549, 2093(2)/2550, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547 and 2112(5)/2547, which have been exempted from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income, up to a maximum of 100 percent of the amount invested, excluding land and working capital and certificate No. 59-1529-0-05-1-0 which has been exempted from corporate income tax on income from the promoted operations for a period of three years from the date of first earning operating income, up to a maximum of 50 percent of the amount invested, excluding land and working capital).



Revenues, divided between promoted and non-promoted operations, of the Company for the years 2016 and 2015 were as follows:

(Unit: Thousand Baht)

|                                   | Promoted operations |                  | Non-promoted operations |                  | Total            |                  |
|-----------------------------------|---------------------|------------------|-------------------------|------------------|------------------|------------------|
|                                   | <u>2017</u>         | <u>2016</u>      | <u>2017</u>             | <u>2016</u>      | <u>2017</u>      | <u>2016</u>      |
| <b>Sales and service income</b>   |                     |                  |                         |                  |                  |                  |
| Domestic sales and service income | 3,557,055           | 1,317,141        | 2,700,506               | 4,617,660        | 6,257,561        | 5,934,801        |
| Export sales                      | 31,597              | 44,652           | 164,464                 | 151,607          | 196,061          | 196,259          |
| Total sales and services          | <u>3,588,652</u>    | <u>1,361,793</u> | <u>2,864,970</u>        | <u>4,769,267</u> | <u>6,453,622</u> | <u>6,131,060</u> |

### 30. Earnings per share

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.

|                                                                         | For the years ended 31 December |                      |                      |                      |
|-------------------------------------------------------------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                                                         | Consolidated                    |                      | Separate             |                      |
|                                                                         | financial statements            | financial statements | financial statements | financial statements |
|                                                                         | <u>2017</u>                     | <u>2016</u>          | <u>2017</u>          | <u>2016</u>          |
| Profit attributable to equity holders of the Company<br>(Thousand Baht) | 404,106                         | 330,581              | 240,449              | 138,116              |
| Weighted average number of ordinary shares<br>(Thousand shares)         | 820,000                         | 820,000              | 820,000              | 820,000              |
| Basic earnings per share (Baht/share)                                   | 0.49                            | 0.40                 | 0.29                 | 0.17                 |

### 31. Segment information

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

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

- (1) The manufacture and distribution of palm oil segment, which includes the generation of electricity from biogases, the by-products from palm oil manufacturing.

(2) The manufacture and distribution of processed fruits and vegetables segment

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 on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

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

The following tables present revenues, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2017 and 2016.

(Unit: Million Baht)

|                                                                                                      | Segment      |              |                                 |              |              |              | Elimination of inter-segment transactions |                | Consolidated |              |
|------------------------------------------------------------------------------------------------------|--------------|--------------|---------------------------------|--------------|--------------|--------------|-------------------------------------------|----------------|--------------|--------------|
|                                                                                                      | Palm oil     |              | Processed fruits and vegetables |              | Total        |              | 2017                                      | 2016           | 2017         | 2016         |
|                                                                                                      | 2017         | 2016         | 2017                            | 2016         | 2017         | 2016         |                                           |                |              |              |
| Revenues from external customers                                                                     | 6,189        | 5,898        | 2,362                           | 2,347        | 8,551        | 8,245        | -                                         | -              | 8,551        | 8,245        |
| Intersegment revenues                                                                                | 308          | 516          | 638                             | 709          | 946          | 1,225        | (946)                                     | (1,225)        | -            | -            |
| Interest expenses                                                                                    | (24)         | (18)         | (13)                            | (23)         | (37)         | (41)         | -                                         | -              | (37)         | (41)         |
| Depreciation and amortisation                                                                        | (171)        | (182)        | (70)                            | (65)         | (241)        | (247)        | -                                         | -              | (241)        | (247)        |
| Income tax expenses                                                                                  | (23)         | (31)         | (46)                            | (64)         | (69)         | (95)         | -                                         | -              | (69)         | (95)         |
| <b>Segment profit</b>                                                                                | <b>629</b>   | <b>582</b>   | <b>672</b>                      | <b>701</b>   | <b>1,301</b> | <b>1,283</b> | <b>(1)</b>                                | <b>(23)</b>    | <b>1,300</b> | <b>1,260</b> |
| <b>Segment total assets</b>                                                                          | <b>6,133</b> | <b>5,855</b> | <b>1,611</b>                    | <b>1,629</b> | <b>7,744</b> | <b>7,484</b> | <b>(1,704)</b>                            | <b>(1,536)</b> | <b>6,040</b> | <b>5,948</b> |
| Additions (reduction) to non-current assets other than financial instruments and deferred tax assets | (131)        | (33)         | 10                              | 60           | (121)        | 27           | -                                         | -              | (121)        | 27           |

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

*Geographic information*

During the year 2017, the Company's and its subsidiaries' sales represent domestic sales of 79 percent (2016: 78 percent) and export sales of 21 percent (2016: 22 percent).

### *Major customers*

For the years 2017 and 2016, the Company and its subsidiaries have no major external customer with revenue of 10 percent or more of an entity's revenues.

### **32. Provident fund**

The Company, its subsidiaries, and their employees have jointly established provident funds in accordance with the Provident Fund Act B.E. 2530. Both employees, the Company and its subsidiaries contribute to the fund monthly at the rates of 2 - 5 percent of basic salary. The Company's fund, which is managed by Kasikorn Asset Management Company Limited, and the subsidiaries' funds, which are managed by Kasikorn Asset Management Company Limited and SCB Assets Management Company Limited, will be paid to employees upon termination in accordance with the fund rules.

The contributions for the year 2017 by the Company and the subsidiaries amounting to approximately Baht 11.8 million (2016: Baht 12.0 million) were recognised as expenses, the Company only: Baht 5.4 million (2016: Baht 5.7 million).

### **33. Dividends**

|                                          | Approved by                                                 | Total dividends | Dividend per share |
|------------------------------------------|-------------------------------------------------------------|-----------------|--------------------|
|                                          |                                                             | (Thousand Baht) | (Baht)             |
| <b><u>The Company</u></b>                |                                                             |                 |                    |
| <b><u>For the year 2017</u></b>          |                                                             |                 |                    |
| Dividend on 2016 profit                  | Annual General Meeting of the shareholders on 26 April 2017 | 82,000          | 0.10               |
| <b>Total dividends for the year 2017</b> |                                                             | <b>82,000</b>   | <b>0.10</b>        |
| <b><u>For the year 2016</u></b>          |                                                             |                 |                    |
| Dividend on 2015 profit                  | Annual General Meeting of the shareholders on 26 April 2016 | 123,000         | 0.15               |
| <b>Total dividends for the year 2016</b> |                                                             | <b>123,000</b>  | <b>0.15</b>        |

|                                          | Approved by                                                                                                    | Total dividends<br>(Thousand Baht) | Dividend per share<br>(Baht) |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------|
| <b><u>Subsidiaries</u></b>               |                                                                                                                |                                    |                              |
| <b><u>For the year 2017</u></b>          |                                                                                                                |                                    |                              |
| Dividend on 2016 profit                  | Annual General Meeting of the shareholders of United Palm Oil Industry Public Company Limited on 20 April 2017 | 48,607                             | 0.15                         |
| <b>Total dividends for the year 2017</b> |                                                                                                                | <b>48,607</b>                      | <b>0.15</b>                  |
| <b><u>For the year 2016</u></b>          |                                                                                                                |                                    |                              |
| Dividend on 2015 profit                  | Annual General Meeting of the shareholders of United Palm Oil Industry Public Company Limited on 26 April 2016 | 32,000                             | 0.10                         |
| <b>Total dividends for the year 2016</b> |                                                                                                                | <b>32,000</b>                      | <b>0.10</b>                  |
| Dividend on 2015 profit                  | Annual General Meeting of the shareholders of Universal Food Public Company Limited on 25 April 2016           | 63,000                             | 1.20                         |
| <b>Total dividends for the year 2016</b> |                                                                                                                | <b>63,000</b>                      | <b>1.20</b>                  |

### 34. Commitments and contingent liabilities

#### 34.1 Capital commitments

As at 31 December 2017, the Company and its subsidiaries had capital commitments relating to construction of buildings and purchase of machineries, equipment and motor vehicles amounting to approximately Baht 26.3 million (2016: Baht 63.8 million and Euro 0.1 million), the Company only: Baht 0.7 million (2016: Baht 22.9 million).

#### 34.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the leases of office building space, equipment and motor vehicles. Operating lease agreements are non-cancelable. The terms of the agreement are generally between 1 year and 5 years.

In addition, a subsidiary has entered into lease agreements in respect of land. The terms of the agreements are 14 and 15 years. The subsidiary is required to comply with conditions stipulated in the contracts.

Future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

|                                  | (Unit: Million Baht) |             |
|----------------------------------|----------------------|-------------|
|                                  | As at 31 December    |             |
|                                  | <u>2017</u>          | <u>2016</u> |
| Payable:                         |                      |             |
| Within 1 year                    | 33.0                 | 33.3        |
| In over 1 year and up to 5 years | 63.4                 | 87.0        |
| In over 5 years                  | 15.0                 | 17.0        |

### 34.3 Guarantees

As at 31 December 2017, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their businesses. These included letters of guarantee amounting to Baht 12.3 million to guarantee import, electricity use, among others (2016: Baht 17.2 million) and for the Company: Baht 2.3 million to guarantee electricity use, among others (2016: Baht 9.2 million).

### 34.4 Contingent liabilities

- (1) In 2004, a subsidiary received a letter of invitation from the Agricultural Land Reform Office (ALRO) concerning the issue of land overlapping with ALRO land. On 6 October 2004, the subsidiary attended a fact-finding consultation meeting with the ALRO and handed over various relevant documents for use by ALRO in considering this issue.

On 15 October 2005, the subsidiary submitted related documents to Agricultural Land Reform Office to verify the right over the land.

Consequently, ALRO sent a letter to the subsidiary regarding the distribution of land. The land of 4,994.10 rai had been distributed. However, the subsidiary found that the distribution of the land of about 1,459 rai, with the approximately cost of land and the net book value of the palm plantation development on such land as at 31 December 2017 totally Baht 10 million, was in conflict with the subsidiary's land title deed. The subsidiary is now processing with ALRO to nullify the status of being land under Sor Por Kor.

- (2) On 11 April 2008, the subsidiary met with the working committee responsible for reviewing practical methods and negotiations for distributing land belonging to holders of large plots in land reform areas to farmers, which was set up by the Suratthani Land Reform Commission. The purpose of the meeting was to find a practical solution to the land issue arising as a result of the subsidiary holding land amounting to approximately 1,210 rai in designated forest areas and another 276 rai in land reform areas. These plots of land represent 3 percent of the total planted area of the subsidiary. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act.

On 29 August 2008, the subsidiary entered into a memorandum of negotiation, agreeing to transfer land in land reform areas to the custody of ALRO for development for agricultural use; with the subsidiary signalling its intention to allow ALRO to take approximately 80 rai of land into the land reform program. However, on 17 September 2009, the subsidiary received a notice from ALRO to vacate a total of approximately 133 rai of land in land reform areas and demolish all construction thereon, within 30 days from receipt of the notice, since the subsidiary has no land ownership documents. The cost of this land and the net book value of the palm plantation development on such land amounted to approximately Baht 0.2 million. The subsidiary has already set aside full allowance for impairment loss on the cost of these assets in 2009.

At present, the subsidiary is in the process of negotiating with the relevant government agencies concerning the land in designed forest areas.

### 35. Fair value hierarchy

As at 31 December 2017 and 2016, the Company and its subsidiaries had the assets that were measured at fair value or for which fair value is disclosed using different levels of inputs as follows:

(Unit: Million Baht)

|                                                 | Consolidated financial statements |         |         |       |
|-------------------------------------------------|-----------------------------------|---------|---------|-------|
|                                                 | As at 31 December 2017            |         |         |       |
|                                                 | Level 1                           | Level 2 | Level 3 | Total |
| <b>Assets measured at fair value</b>            |                                   |         |         |       |
| Available-for-sale investments                  |                                   |         |         |       |
| Equity instruments                              | -                                 | 1       | -       | 1     |
| Biological assets                               | -                                 | 53      | 18      | 71    |
| <b>Assets for which fair value is disclosed</b> |                                   |         |         |       |
| Investment properties                           | -                                 | -       | 157     | 157   |

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2016

|                                                 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------------------|---------|---------|---------|-------|
| <b>Assets measured at fair value</b>            |         |         |         |       |
| Available-for-sale investments                  |         |         |         |       |
| Equity instruments                              | 1       | 1       | -       | 2     |
| Biological assets                               | -       | 53      | 30      | 83    |
| <b>Assets for which fair value is disclosed</b> |         |         |         |       |
| Investment properties                           | -       | -       | 157     | 157   |

(Unit: Million Baht)

Separate financial statements

As at 31 December 2017

|                                                 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------------------|---------|---------|---------|-------|
| <b>Assets measured at fair value</b>            |         |         |         |       |
| Available-for-sale investments                  |         |         |         |       |
| Equity instruments                              | -       | 1       | -       | 1     |
| <b>Assets for which fair value is disclosed</b> |         |         |         |       |
| Investments in subsidiaries                     | 1,125   | -       | -       | 1,125 |
| Investment properties                           | -       | -       | 26      | 26    |

(Unit: Million Baht)

Separate financial statements

As at 31 December 2016

|                                                 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------------------|---------|---------|---------|-------|
| <b>Assets measured at fair value</b>            |         |         |         |       |
| Available-for-sale investments                  |         |         |         |       |
| Equity instruments                              | 1       | 1       | -       | 2     |
| <b>Assets for which fair value is disclosed</b> |         |         |         |       |
| Investments in subsidiaries                     | 1,621   | -       | -       | 1,621 |
| Investment properties                           | -       | -       | 30      | 30    |

## **36. Financial instruments**

### **36.1 Financial risk management**

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, loans, trade and other payables, short-term and long-term borrowings. 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, other receivables and loans. 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 they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans, as stated in the statement of financial position.

#### ***Interest rate risk***

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, loans, short-term and long-term borrowings. Most of the Company's and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities as at 31 December 2017 and 2016 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.



(Unit: Million Baht)

| As at 31 December 2017                          |                         |                           |                         |              |                           |
|-------------------------------------------------|-------------------------|---------------------------|-------------------------|--------------|---------------------------|
|                                                 | Fixed interest          |                           |                         | Total        | Interest rate<br>(% p.a.) |
|                                                 | rate within<br>one year | Floating<br>interest rate | Non-interest<br>bearing |              |                           |
| <b>Financial assets</b>                         |                         |                           |                         |              |                           |
| Cash and cash equivalents                       | 30                      | 372                       | 12                      | 414          | 0.05 - 1.13               |
| Trade and other receivables                     | -                       | -                         | 1,105                   | 1,105        | -                         |
| Long-term loans to other<br>companies           | -                       | 21                        | -                       | 21           | THBFIX + 1                |
|                                                 | <u>30</u>               | <u>393</u>                | <u>1,117</u>            | <u>1,540</u> |                           |
| <b>Financial liabilities</b>                    |                         |                           |                         |              |                           |
| Short-term loans from financial<br>institutions | 970                     | 510                       | -                       | 1,480        | 1.78 - 2.15               |
| Trade and other payables                        | -                       | -                         | 495                     | 495          | -                         |
| Liabilities under finance lease<br>agreements   | 1                       | -                         | -                       | 1            | 7.15                      |
| Long-term loans                                 | -                       | 134                       | -                       | 134          | 3 M BIBOR + 1,<br>THBFIX  |
|                                                 | <u>971</u>              | <u>644</u>                | <u>495</u>              | <u>2,110</u> |                           |

(Unit: Million Baht)

| As at 31 December 2016                          |                         |                           |                         |              |                           |
|-------------------------------------------------|-------------------------|---------------------------|-------------------------|--------------|---------------------------|
|                                                 | Fixed interest          |                           |                         | Total        | Interest rate<br>(% p.a.) |
|                                                 | rate within<br>one year | Floating<br>interest rate | Non-interest<br>bearing |              |                           |
| <b>Financial assets</b>                         |                         |                           |                         |              |                           |
| Cash and cash equivalents                       | 30                      | 362                       | 28                      | 420          | 0.05 - 1.45               |
| Trade and other receivables                     | -                       | -                         | 912                     | 912          | -                         |
| Long-term loans to other<br>companies           | -                       | 60                        | -                       | 60           | THBFIX + 1                |
|                                                 | <u>30</u>               | <u>422</u>                | <u>940</u>              | <u>1,392</u> |                           |
| <b>Financial liabilities</b>                    |                         |                           |                         |              |                           |
| Short-term loans from financial<br>institutions | 870                     | 685                       | -                       | 1,555        | 1.85 - 2.10               |
| Trade and other payables                        | -                       | -                         | 504                     | 504          | -                         |
| Liabilities under finance lease<br>agreements   | 1                       | -                         | -                       | 1            | 7.15                      |
| Long-term loans                                 | -                       | 237                       | -                       | 237          | 3 M BIBOR + 1,<br>THBFIX  |
|                                                 | <u>871</u>              | <u>922</u>                | <u>504</u>              | <u>2,297</u> |                           |

### **Foreign currency risk**

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

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

| Foreign currency | Financial assets  |             | Financial liabilities |             | Average exchange rate              |             |
|------------------|-------------------|-------------|-----------------------|-------------|------------------------------------|-------------|
|                  | as at 31 December |             | as at 31 December     |             | as at 31 December                  |             |
|                  | <u>2017</u>       | <u>2016</u> | <u>2017</u>           | <u>2016</u> | <u>2017</u>                        | <u>2016</u> |
|                  | (Million)         | (Million)   | (Million)             | (Million)   | (Baht per 1 foreign currency unit) |             |
| US dollars       | 5.8               | 6.8         | 0.7                   | 0.3         | 32.6809                            | 35.8307     |
| Euro             | 0.2               | 0.2         | 0.1                   | -           | 39.0273                            | 37.7577     |

Forward exchange contracts outstanding as at 31 December 2017 and 2016 are summarised below.

As at 31 December 2017

| Foreign currency | Sold amount                       |                               | Contractual exchange rate of sold amount | Contractual maturity date |
|------------------|-----------------------------------|-------------------------------|------------------------------------------|---------------------------|
|                  | Consolidated financial statements | Separate financial statements |                                          |                           |
|                  | (Million)                         | (Million)                     |                                          |                           |
| US dollars       | 1.1                               | 0.5                           | 32.5000 - 32.7500                        | January - June 2018       |
| Euro             | 0.2                               | -                             | 38.4500 - 38.9000                        | March - May 2018          |

As at 31 December 2017

| Foreign currency | Bought amount                     |                               | Contractual exchange rate of bought amount | Contractual maturity date |
|------------------|-----------------------------------|-------------------------------|--------------------------------------------|---------------------------|
|                  | Consolidated financial statements | Separate financial statements |                                            |                           |
|                  | (Million)                         | (Million)                     |                                            |                           |
| US dollars       | 0.7                               | 0.7                           | 33.0300 - 33.0500                          | Within January 2018       |

| As at 31 December 2016 |                                                |                                            |                                                                                |                           |
|------------------------|------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------|---------------------------|
| Sold amount            |                                                |                                            |                                                                                |                           |
| Foreign currency       | Consolidated financial statements<br>(Million) | Separate financial statements<br>(Million) | Contractual exchange rate of sold amount<br>(Baht per 1 foreign currency unit) | Contractual maturity date |
| US dollars             | 0.5                                            | -                                          | 35.5000 - 35.9900                                                              | January - June 2017       |

| As at 31 December 2016 |                                                |                                            |                                                                                  |                           |
|------------------------|------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------|---------------------------|
| Bought amount          |                                                |                                            |                                                                                  |                           |
| Foreign currency       | Consolidated financial statements<br>(Million) | Separate financial statements<br>(Million) | Contractual exchange rate of bought amount<br>(Baht per 1 foreign currency unit) | Contractual maturity date |
| US dollars             | 0.3                                            | 0.3                                        | 35.9630 - 36.0630                                                                | Within July 2017          |

### 36.2 Fair values of financial instruments

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

### 37. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that they have appropriate capital structure in order to support their business and maximise shareholder value. As at 31 December 2017, the Group's debt-to-equity ratio was 0.62:1 (2016: 0.70:1) and the Company's was 0.42:1 (2016: 0.43:1).

### 38. Events after the reporting period

On 23 February 2018, the meeting of the Company's Board of Directors passed a resolution to propose the payment of dividend in respect of 2017 profit of Baht 0.18 per share, or a total of Baht 147.6 million.

On 22 February 2018, a meeting of the Board of Directors of United Palm Oil Industry Public Company Limited ("the subsidiary") passed a resolution to propose the payment of dividend in respect of unappropriated retained earnings of Baht 0.10 per share, or a total of Baht 32.4 million.

On 22 February 2018, a meeting of the Board of Directors of Universal Food Public Company Limited ("the subsidiary") passed a resolution to propose the payment of dividend in respect of 2017 profit of Baht 1.20 per share, or a total of Baht 63 million.

The payment of dividends will later be proposed for approval in the Annual General Meeting of the Company's and the subsidiary's shareholders.

### 39. Reclassification

The Company and its subsidiaries reclassified the following amounts in the statements of comprehensive income for the year ended 31 December 2016 to conform with the current year's classification.

(Unit: Thousand Baht)

|                       | Consolidated         |               | Separate             |               |
|-----------------------|----------------------|---------------|----------------------|---------------|
|                       | financial statements |               | financial statements |               |
|                       | As                   | As previously | As                   | As previously |
|                       | reclassified         | reported      | reclassified         | reported      |
| <b>Profit or loss</b> |                      |               |                      |               |
| Sales                 | 8,244,979            | 8,267,427     | 6,131,060            | 6,153,508     |
| Selling expenses      | 639,265              | 661,713       | 381,707              | 404,155       |

The reclassifications had no effect to previously reported profit or shareholders' equity.

### 40. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2018.