



ANNUAL REPORT 2012

Lam Soon (Thailand) Public Company Limited



RESPONSIBILITY / QUALITY / HEALTHY / WELLNESS

ANNUAL REPORT 2012 OF LAM SOON (THAILAND) PLC.

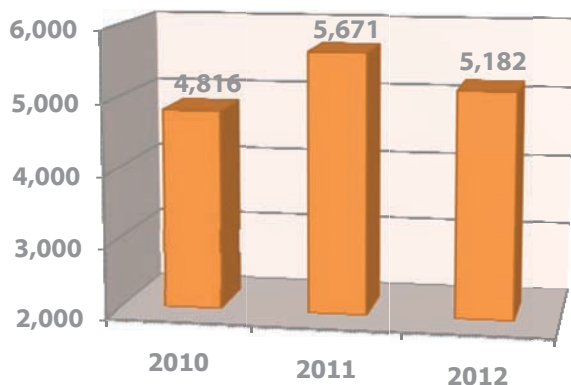
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FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : million Baht)

	2010	2011	2012
Total Assets	4,816	5,671	5,182
Total Liabilities	2,391	3,163	2,468
Shareholders' Equity	2,425	2,508	2,714
Sales	7,484	8,885	7,612
Total Revenues	7,551	8,989	7,740
Gross Profit	1,011	1,236	1,200
Net Profit	199	168	278

TOTAL ASSETS
(million Baht)

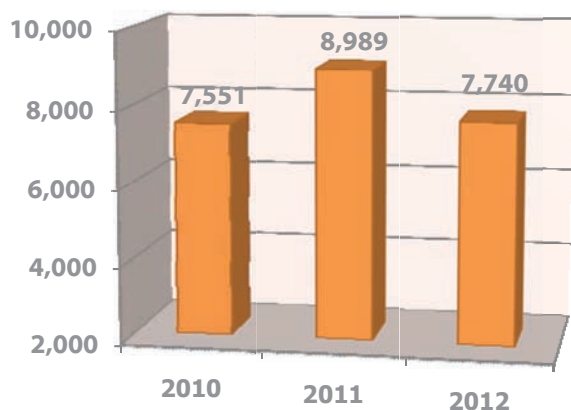


Total assets decreased by 8.63% mainly because:-

- 1) Cash and cash equivalents at Group level decreased by 249.08 million Baht or 49% to 259.27 million Baht,
- 2) Trade A/R decreased by 168.31 million Baht to 901.75 million Baht
- 3) Inventory decreased by 32.80 million Baht, caused by lower raw material cost.

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TOTAL REVENUES
(million Baht)

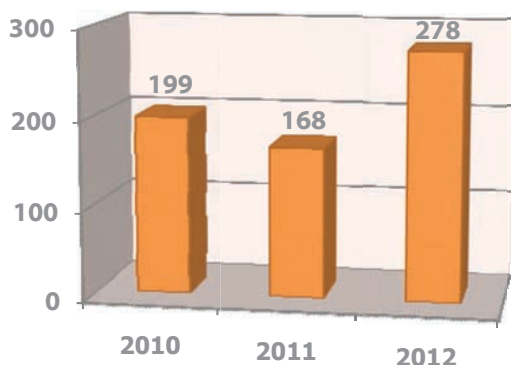


Total revenues decreased by 1,248.88 million Baht from:-

- Sales of LST products decreased by 1,190.45 million Baht or 17.80%,
- At its subsidiaries, sales decreased by 82.40 million Baht or 3.75%.

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NET PROFIT
(million Baht)

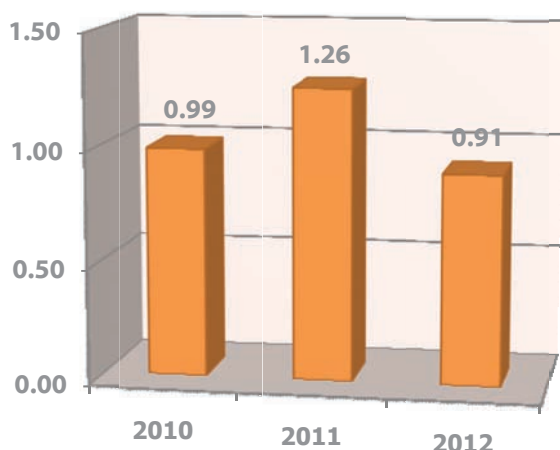


Net profit (attributable to equity holders of the Company) increased by 109.60 million Baht or 65.14% with net profit margin of 3.59%.

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FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

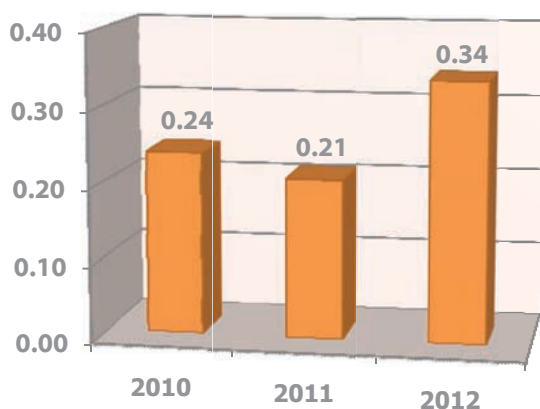
**TOTAL DEBT TO EQUITY RATIO
(Times)**



***Total debt to equity ratio** decreased to 0.91 times in 2012 (2011 : 1.26 times).*

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EARNINGS PER SHARE

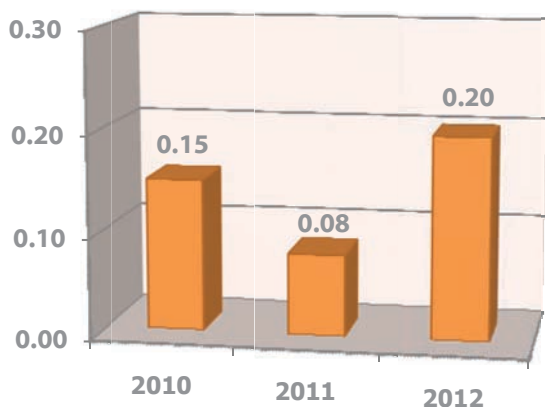


***Earning per share:** was up from 0.21 to 0.34 Baht per share.*

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(Baht)

**DIVIDEND PER SHARE
(Baht)**



***Dividend per share:** Pursuant to the resolution of BOD meeting on 22 Feb 13, dividend per share of 0.20 Baht is proposed to be paid for the financial year 2012, subject to approval at AGM no. 1/2013.*

This would represent a payout ratio of 50.4% of net profit, in accordance with the Company's policy of paying not less than 40% of its net profit after tax as dividend.

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FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

FINANCIAL RATIOS

(Unit : %)

	2010	2011	2012
Net Profit Margin	2.63	1.87	3.59
Return on Equity	9.04	11.04	14.35
Return on Total Assets	4.58	5.19	6.90

PER SHARE DATA

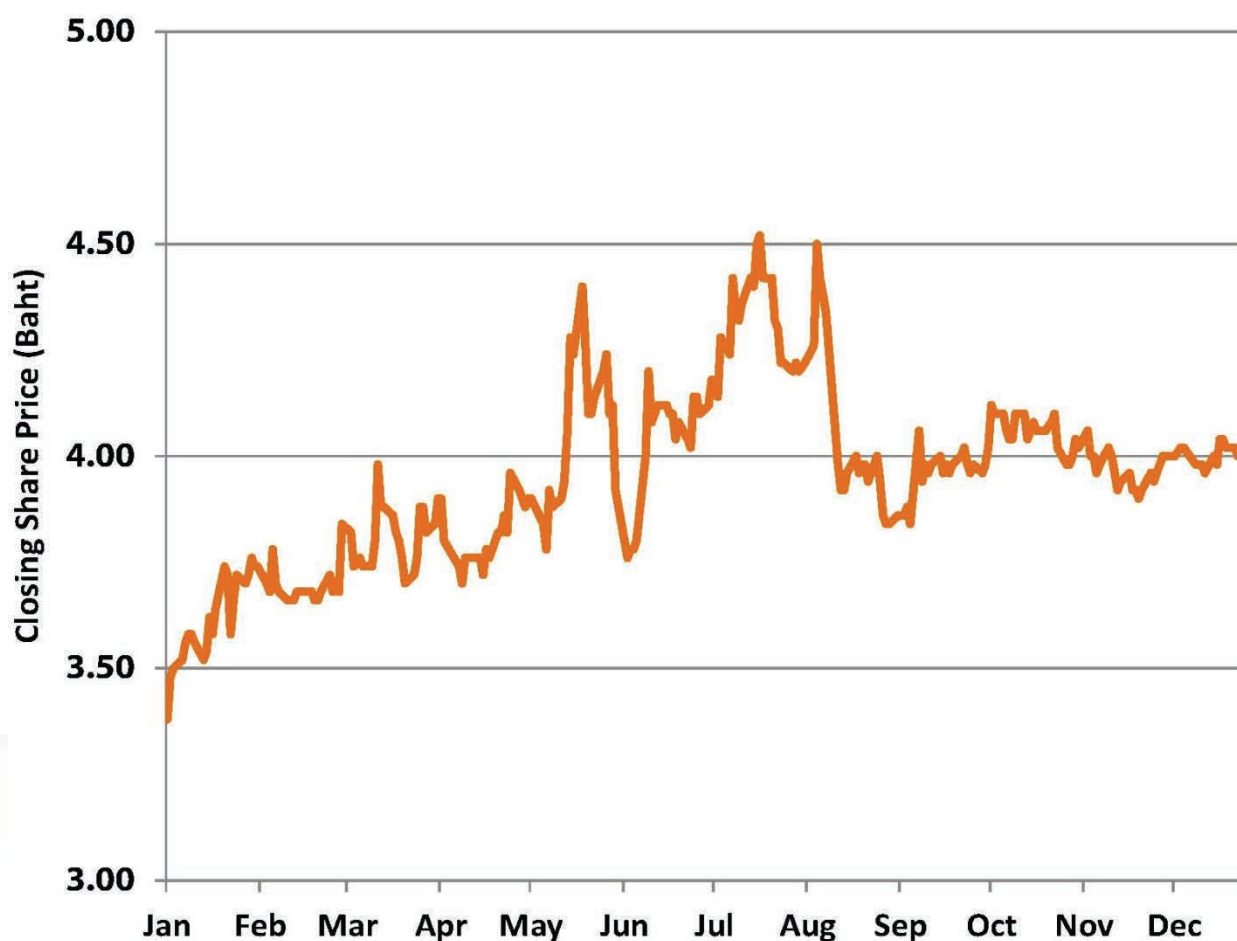
(Unit : Baht)

	2010	2011	2012
Earnings per Share	0.24	0.21	0.34
Dividend Paid per Share	0.25	0.15	0.08
Dividend per Share (operational year)	0.15	0.08	0.20 ⁽ⁱ⁾
Book Value per Share	2.60 ⁽ⁱⁱ⁾	2.63 ⁽ⁱⁱ⁾	2.95 ⁽ⁱⁱ⁾

Notes : ⁽ⁱ⁾ According to the resolution of BOD meeting on 22 February 2013, to be proposed to AGM no.1/2013.

⁽ⁱⁱ⁾ Based on the Company only

LST SHARE PRICE MOVEMENT IN 2012



MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR



2012 was a year of volume fluctuations for both the domestic and international markets. The quantity of palm oil stockpile in Malaysia reached its lowest in June to 1.70 million MT, and rose to an all-time high of 2.63 million MT in December. At the same time, demand in the world market fell drastically, especially from countries in Europe and China. This caused the world price of crude palm oil (CPO) to fall continuously from 3,225 ringgit per MT at the beginning of the year to the year's lowest at 2,227 ringgit per MT on December 13, 2012.



Palm oil price movement in Thailand follows that of Malaysia, but with even greater volatility. April 2012 was the fifth consecutive month when the amount of palm oil stock decreased continuously, to a level of 205,697 MT. On April 18, 2012, therefore, the Cabinet, concerned about the scarcity of domestic palm oil as occurred in late 2010, approved the import of palm oil 40,000 MT to prevent the shortage. Notwithstanding the importation, palm oil stocks continued to decline until it reached the lowest level of the year at the end of July i.e. 148,164 MT, and driving CPO price to above 35 Baht per kg.

Subsequently, FFB volume recovered from August to more than 1 million MT per month. As a result, accumulated CPO stock balance reached a high of 362,267 MT in December, while CPO and FFB prices collapsed to their lowest in the last three years at 19 and 2.75 - 3.00 Baht/MT respectively. Thus, growers started to protest and eventually, price intervention was reintroduced by the Government in late 2012 and early 2013 by implementing the project "absorption of CPO volume from the market in 2012/13" in 2 phases (50,000 MT each). CPO and FFB prices were set at 25 and 4 Baht/kg, respectively (at 17% OER).

Another significant event of the year was the progressive nationwide implementation of the minimum wage of Baht 300 effective 1 April 2012 and January 2013 respectively. This caused the labour cost at LST, UPOIC, and UFC to increase by 10%, 26%, and 22% respectively.

To mitigate the impact of rising labor cost, the Group undertook a stringent approach to generate higher work force productivity and increase cost efficiency in other operational areas. Measures taken include more mechanisation, conversion of workers' wages from daily rated to piece basis and having better product mix. For example, the work force at your Company's Bangpoo refinery was reduced by more than a hundred. Despite the increase in labour cost, the gross profit margin of the Group (on consolidated basis) improved from 13.91% to 15.76% in 2012.

Company's Performance

Your Company recorded a net profit of approximately 325.34 million Baht in 2012, an increase of 142% comparing to 2011 (2011 : 134.44 million Baht); on a revenue of around 6,384 million Baht, decreasing by 15% compared to 7,531 million Baht in 2011.

Production and Investment

In 2012, the Group invested mostly in projects carried forward from the previous year. There were no major investment projects except under its listed subsidiary United Palm Oil Industry Public Company Limited (UPOIC). These projects of UPOIC put more focus on its own plantations including improving the efficiency of fresh fruit bunch (FFB) transportation and improving traffic road in plantations to speed up the working process and reduce the loss from collecting FFB. The total investment budget was set at around 40 million Baht.

Marketing

In response to the growing trend towards health and wellness, and the growing popularity of social media, our premium healthy oil "Naturel" also created a channel for the consumer intercommunication on "Facebook" in this year.

In the fats category, your Company has developed a new margarine product under the brand name "Popcorn". It was formulated for applying with the roasted corn for better fragrance, taste, and crispy corn texture.

Universal Food Public Company Limited (UFC) continued to make successful inroads into the export markets with its UFC 100% coconut water. Better product sales mix in the domestic market contributed towards improved margins. Innovative new products launched in 2012 included HOMESOY brand of soymilk, with Job's Tears in 300 ml plastic bottles, and new Asian Drink range of chrysanthemum tea and Lo Han Guo in 1 litre Tetrapak.

Responsibility to Community, Society and the Environment

Besides improving operational efficiencies, your Company recognises the importance of community, social and environmental responsibility. The major projects include:-

- Project to generate electricity from Biomass
- Local activities to enhance your Company's image and develop relationship between its crushing mill and nearby communities
- Oil palm planting in school
- "Blue Flag Campaign to Ease the Cost of Living" in Trang
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Established the Project of Replace Old Farm with Good Oil Palm Plantation Promotion
- Participation in Children's Day.

Your Company is an active participant in the project development for the Roundtable on Sustainable Palm Oil (RSPO). Its Bangpoo refinery and Trang crushing mill have been certified RSPO Supply Chain in terms of Mass Balance (MB) since June 11, 2012. Moreover, UPOIC's Krabi crushing mill and plantations have applied for an approval of RSPO certification in terms of Mass Balance (MB) and it expects to be certified in the first quarter of 2013.

Furthermore, your Company also participated in the project of "Entrepreneur Supply Chain Security Standard Promotion of Security from terrorist, disaster or burglary" according to the international qualified standard of ISO 28000. It also registered to join the campaign of the materials and equipment to reduce the energy consumption.

Human Resources and Corporate Culture


Our employees are a valuable resource. We promote a work environment where employees feel valued. We are committed to developing the potential of all employees to become professionals in the ASEAN market with career advancement. We seek to improve quality of life and work under five aspects of organisational culture.

- "Can Do" attitude
- Accountability
- Team work
- Take care of people
- Continuous improvement

MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

Finally, we would like to congratulate UPOIC for being selected by Forbes Asia magazine to be listed as Asia's 2012 "Best Under a Billion", the ranking of 200 best small- and medium-sized listed companies in Asia Pacific. This reflects the efficient improvement of UPOIC, which has been able to generate strong operating performance and consistent returns to shareholders despite having gone through economic volatility and highly competitive environments.

On behalf of the Board of Directors, our Management team and other employees, we would take this opportunity to thank our Company's shareholders, customers, and business partners for their continuing support and also for their interest in the development of the Group's business.



Mr. Whang Tar Liang
Chairman



Mr. Somchai Chongsawadchai
Vice-Chairman and Managing Director

REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprised three independent directors as follows:

Art-ong Jumsai Na Ayudhya, Ph.D.	Chairman of the Audit Committee and Independent Director
Assoc. Prof. Preecha Jarungidanan, Ph.D.	Member of the Audit Committee and Independent Director
Mr. Banchong Chittchang	Member of the Audit Committee and Independent Director
Ms. Anchalee Suebchantasiri	Secretary to the Audit Committee and Finance Manager

In 2012, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in Notes to Financial Statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information in Notes to Financial Statements were found to be adequate and accurate;
2. Examination of the reports and recommendations of internal audit regarding the internal control as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2012, the Company was found to have exercised an appropriate and effective internal control system, with transparent governance and no material management failures;
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency; In addition, in 2012 the AC had 2 meetings with the External Auditor without the management attending. The information disclosed by the management to the Auditor was found to be adequate without any deficiencies.
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the company;
5. Proposal to the Board of Directors to consider renewal of the appointment of Dr. Virach and Associates to be outsourced internal auditor for a further two-year term, to 31 December 2013, including appropriate remuneration and the 2012 annual audit plan;
6. Consideration of the corporate governance survey to some items of which the Company has not yet complied;
7. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
8. Proposal to the Board of Directors for approval at the 2013 annual general meeting of shareholders, the appointment of Ernst & Young Office Limited to be the statutory auditor of the Company for 2013 including appropriate remuneration;
9. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles;

The Committee concluded that management continued systematically to exercise good internal control and did not find that any relevant statutes and regulations have been contravened.



Art-ong Jumsai Na Ayudhya, Ph.D.
Chairman of the Audit Committee
22 February 2013

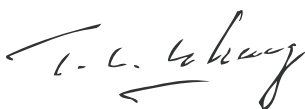
REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors of the Company considered the consolidated financial statements of the Company and its subsidiaries, including information as shown in the Annual Report, and concluded that the financial statements have been prepared under generally accepted accounting standards in Thailand. Proper accounting policies have been chosen and have always been consistently adhered to. The financial statements have also been prepared with careful basis using the best estimation. Adequate material information has been disclosed in the notes to the financial statements. The Board has also adopted and maintained an effective system of internal controls in the Company so that we can be reasonably assured that accounting records are accurate, complete and adequate to protect the assets of the Company. These controls are also preventive measures against possible wrongdoing or other significant irregularities in the operations of the Company.

In this regard, the Board of Directors has appointed the Audit Committee responsible for the quality of the Company's financial reports and the internal control systems, as well as other processes to support the financial documents to be prepared under generally accepted accounting standards, including to disclose information transparently.

The Audit Committee considered the operational performance of the Company during the year 2012 and provided the opinion that the Board of Directors and the Management make a great effort to achieve the Company's objectives without finding that any relevant statutes and regulations having been contravened, and attach importance to the effective internal control system and to the adequacy of the risk management. Information system has also been prepared to support the good corporate governance principles. In sum, the overall internal control system of the Company has been at satisfactory level which can assure the credibility of the consolidated financial statements of the Company and its subsidiaries as of December 31, 2012.

The opinion of the Audit Committee with regard to these matters is set out in the Report of the Audit Committee in this Annual Report and the Annual Registration Statement (Form 56-1).



Mr. Whang Tar Liang
The Chairman



Mr. Somchai Chongsawadchai
Vice-Chairman and Managing Director

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Lam Soon (Thailand) Public Company Limited (LST) recognises the importance of Good Corporate Governance in promoting transparency in LST's operations, fair and equitable treatment to all stakeholders as well as an efficient management system aiming at sustainable growth. LST therefore draws up this corporate governance policy to be used as the principle in its business operations.

The corporate governance policy shall cover all topics in line with the Principles of Good Corporate Governance Practices of the Stock Exchange of Thailand (SET) namely, 1) Rights of Shareholders and Equitable Treatment of Shareholders, 2) Rights of Stakeholders, 3) Disclosure and Transparency, 4) Responsibilities of the Board.

The Board has assigned the Audit Committee to develop an action plan and measures for monitoring to ensure implementation, assessment of compliance, and recommending improvement on the policy as appropriate.

1. Rights of Shareholders and Equitable Treatment of Shareholders

- LST shall hold an Annual General Meeting of Shareholders within 4 months of the end of LST's fiscal year. The meeting will consider the Annual Report of the Board of Directors presenting the operational performance of the past year, statements of financial position, statements of comprehensive income, dividend distribution and legal reserve appropriation, election of directors to fill the vacancy caused by expiration of service term, director's remuneration, appointment of auditor and auditor's remuneration.
- LST shall hold an extraordinary general meeting of shareholders as the Board of Directors thinks fit. Shareholders holding shares amounting to not less than one-fifth of the total shares issued, or shareholders numbering not less than 25 persons holding shares amounting to not less than one-tenth of the total shares issued, shall be entitled to direct the board of directors to convene a shareholder meeting. The name of such persons and the reasons for calling such meeting shall be clearly stated in such request. The board of directors shall proceed to call a shareholder meeting to be held within one month of the date of receipt of such request from the said shareholders.
- In calling a shareholder meeting, LST shall prepare a written notice calling the meeting that states the place, date, time, agenda of the meeting and the matters to be proposed to the meeting with reasonable detail by indicating clearly whether it is the matter proposed for information, for approval or for consideration, as the case may be, including the opinions of the board of directors in the said matters, and the said notice shall be delivered to the shareholders and the Registrar for their information at least 14 days prior to the date of the meeting.
- LST shall provide a proxy form in which a shareholder can give comments on his votes enclosed in the meeting notices stating clearly the required documents and procedure for appointment of proxy and for attending the meeting. A shareholder who cannot attend the meeting in person but would like to exercise his voting right may appoint another person as proxy to attend and vote at the meeting. He may also appoint an independent director as his proxy.
- At a shareholder meeting, in order to constitute a quorum, there shall be shareholders and proxies (if any) amounting to not less than 25 persons and holding shares amounting to not less than one-third of the total number of shares issued. The Chairman of the board of directors shall be the chairman of the meeting and conducting the meeting according to the sequence in the agenda stated in the meeting notice.
- In a regular agenda the ballot shall be used in the event any shareholder would like to cast a negative vote or abstain from voting. The ballot shall always be used in important agenda such as election of directors, approving connected transactions, acquisition or disposal of assets, amendment of memorandum of association and articles of association.
- LST shall give opportunities for minority shareholders to propose matters to be included in the meeting agenda and to nominate qualified persons for the election of directors, prior to the meeting date. The procedures are published on LST's website. Contact by email can be addressed to company.secretary@lamsoon.co.th
- LST shall give opportunities for shareholders to submit questions relevant to the agenda items to the directors prior the meeting date through LST's website or by email to company.secretary@lamsoon.co.th
- LST shall post meeting documents and meeting notices on its website at least 30 days prior to the meeting date so that the shareholders can study the information for the meeting in advance.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- LST shall record important issues raised by the shareholders and explanation of the board as well as recording clearly the number of affirmative votes, negative votes, and abstained votes, in the meeting minutes. LST shall post a draft minutes of the shareholder meeting on LST's website within 14 days of the completion of the meeting. The shareholders may inspect the correctness and may make objection if necessary without having to wait until the next meeting to do so.

2. Rights of Stakeholders

LST has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees or shareholders, creditors, customers, trade-counterparts, competitors, community and society. The expectations of one group of stakeholders may be different from another group. Therefore, LST shall ensure that the rights of each group will be protected according to relevant laws and handled carefully and with sensitively. Procedures are stated in the Company's code of business conduct to respond to the needs of the stakeholders.

Mechanism for stakeholders to report concerns or complaints

2.1 LST shall provide channel for stakeholders to submit concerns or complains : Any stakeholder wishes to communicate to the board of directors directly without passing through the management of the Company to express his opinions about the operation of the Company's business including concerns or complaints such as incorrect financial report, violation of the law or ethics or deficiency of internal control system, etc. may address his communication directly to:

By post: Mr. Banchong Chittchang
Member of the Audit Committee
Lam Soon (Thailand) Plc.
64 Soi Bangna-Trad 25,
Bangna, Bangkok 10260

By email: banchong_ch@yahoo.com

2.2 Protection of informer's identity : A stakeholder who communicate or make complaints in 2.1 will not be required to disclose his name.

2.3 Action after receiving concerns or complaints : The Audit Committee shall investigate the information and facts given by the informer in 2.1 and report to the Board within 30 days of the date receiving the information.

2.4 Measure of redress and damage compensation : If the Board determines that a stakeholder has suffer damages from any violation of law by the Company, the Board shall take steps to redress the problem as soon as possible as well as finding measure to prevent recurrence of the problem. Appropriate compensation will be given to the person suffered from violation of law.

3. Disclosure and Transparency

The Company recognises the importance of timely disclosure of information that shareholders may use for their investment decision as well as decision in exercise their votes at the shareholder meetings. LST periodically assess the efficiency of information disclosure. The following information is regularly disclosed:

- Disclosure of the following in Thai and English and updating of the information in the Company's website.
 - Corporate Governance Policy
 - Code of Business Conduct
 - Shareholder Structure
 - Structure of the Board of Directors
 - Vision/Mission
 - Environment Policy
 - Annual Report
 - Form 56-1 (Thai version)
 - Financial Statements
 - Meeting notices and meeting documents
 - Minutes of the Shareholder Meetings

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- News published by the Company
- Submit periodically accurate, complete, and timely, information to the SET and the SEC such as Financial Statements, Form 56-1, Annual Report .
- News on important changes which may have material impact on securities prices according to the regulations of the SET.
- The Board of Directors assumes the responsibility for the financial statements and financial report which are signed by the Chairman of the Board and the Managing Director as disclosed in the Annual Report and Form 56-1. The financial statements are prepared in accordance with generally accepted accounting standards with appropriate accounting policies which are conformed to consistently. Information in the notes to the financial statements shall be audited by an independent external auditor and reviewed by the Audit Committee to ensure that sufficient disclosure is made.
- The Executive Directors shall be responsible for communicating with investors both individual and institutional, shareholders, analysts and relevant government sectors. Information can be requested from Tel: 02-361 8959/87 or Fax: 02-361 8988/9 or by email: company.secretary@lamsoon.co.th or through the Company's website.

4. Responsibilities of the Board

4.1 Board of Directors

4.1.1 Structure of the Board

According to the Articles of Association of the Company, the Board composes of not exceeding 9 Directors of which at least one-third of the total number of directors are independent directors. Independent directors shall not be less than 3 persons.

4.1.2 Duties and responsibilities of the Board

1. To review and approve the vision, mission, strategy, objectives, risk, plan and budget of the Company.
2. To control and supervise the management in the implementation of the business plan to achieve the objectives and increase the wealth for the shareholders.
3. To set a Corporate Governance Policy and encourage every employee in the organisation to implement the policy, assessment of policy implementation and reviewing the policy at least once a year.
4. To set a code of business conduct to cover all levels of personnel namely, directors, executives, and employees. To encourage all persons in the Company to comply with the policy, monitoring of implementation and assessment of effectiveness of the implementation regularly.
5. To set up internal control system, internal auditing, and measures for risk management as well as regularly monitoring the same.
6. Appointment of sub-committees, assignment of roles and duties and responsibilities of each sub-committee.
7. To have clear communication regarding the roles, duties and responsibilities of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Management and employees.
8. To be responsible for the disclosure of the Company's financial status in the Financial Statements of the Company and its subsidiaries, in the annual report, annual registration statement (Form 56-1) as well as disclosure of information to meet the requirement of law and relevant government authorities.
9. To set guideline for reviewing the suitability of transaction with potential conflict of interest.
10. To hold at least one board meeting every 3 months and convene a shareholder's meeting at least once a year.
11. Such other duties and responsibilities stipulated by law and resolutions passed at shareholder meeting.

4.1.3 Company Secretary

The Company appointed a company secretary in accordance to section 89/15 of the Securities and Exchange Act B.E. 2551 with the following duties and responsibilities:

1. preparing and keeping the following documents:
 - a register of directors;
 - a notice calling director and shareholders meetings;

- a minute of meeting of the board of directors and meeting of shareholders;
 - an annual report of the Company;
2. Follow-up to ensure implementation of the resolutions of the board.
 3. Keeping a report on interest filed by a director or an executive and submit a copy of report to the Chairman and the Chairman of audit committee within 7 business days from the date on which the Company has received such report.
 4. To advise directors with regard to the law and relevant regulation as well as to supervise and oversee to ensure that the Company, board of directors, and the management comply to all the laws and regulations.
 5. To ensure the disclosure of information according to the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission and other relevant laws.
 6. To liaise with relevant regulatory bodies.
 7. To do other things assigned by the Board and/or performing any other acts as specified in the notification of the Capital Market Supervisory Board.

4.1.4 Procedure for director nomination

The Nomination Committee shall have the duty to recommend names of suitable candidates for the Board and Shareholder Meeting to elect as directors according to the Company's Articles of Association. The Nomination Committee shall undertake the task of identifying, evaluating, selecting and proposing new nominees to the Board.

The Board shall consider that the candidates possess experience suitable for the post of directorship, to assist the board to act prudently as well as capability to make rational business decisions, strategic thinking, leadership, and expertise in the profession, honesty and suitable personal qualification.

4.1.5 The Chairman of the Board

The Chairman of the Board may be an executive director or non-executive director. The Chairman must be a different person from the managing director so that the two roles are clearly separated.

4.1.6 Qualification of Independent Directors

The Board has set the qualification of the Independent Directors as follow:

- (a) holding shares not exceeding 1 percent of the total number of voting rights of any Relevant Entity, including the shares held by related persons of the independent director;
- (b) neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of any Relevant Entity unless the foregoing status has ended not less than 2 years prior to the date of application filing with the Office;
- (c) not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children of executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;
- (d) not having a business relationship with any Relevant Entity, in the manner which may interfere with his independent judgment, and neither being nor having been a major shareholder, non-independent director or executive of any person having business relationship with any Relevant Entity unless the foregoing relationship has ended not less than 2 years prior to the date of application filing with the Office.

The term 'business relationship' includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the applicant or his counterparty being subject to indebtedness payable to the other party in the value of three percent (3%) or more of the net tangible assets of the applicant or 20 million Baht or more, whichever is lower.

The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of the Capital Market Supervisory Board Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions *mutatis mutandis*. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences.

- (e) neither being nor having been an auditor of any Relevant Entity, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of any Relevant Entity unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- (f) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding 2 million Baht from any

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Relevant Entity, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;

(g) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;

(h) not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

The Board has set the criterion for the amount of shareholding allowed to an independent director to be the same as that laid out by the Securities and Exchange Commission (SEC).

In this paragraph 4.1.6 a "Relevant Entity" means the Company, its parent company, subsidiary, affiliate, jointly controlled entity or juristic person who may have conflicts of interest.

4.1.7 Director's Term of Office

According to the Article 13 of the Articles of Association of the Company, the terms of one-third of the Directors are due to expire by rotation at every Annual General Meeting of Shareholders.

4.1.8 Directors concurrently being directors of other companies

To ensure that directors have sufficient time to perform his duties fully, the Company has set the number of companies allowed for Chairman, directors to be directors of other listed companies as follows:

- Chairman: only 1 company (except for companies in the same group)
- Director: not more than 5 companies.

The Company does not set limit for being directors in other non-listed companies.

4.1.9 Executives holding directorship in other companies

Executives may hold directorship or executive positions in subsidiary, affiliates, jointly controlled entity or other related companies in the same group. In case of holding positions in companies other than those in the same group, prior approval must be obtained from the Managing Director.

4.2 Sub-committees

4.2.1 Audit Committee

The Audit Committee shall comprise at least 3 independent directors with at least 1 committee member possessing knowledge in finance and accounting. The Chairman of the audit committee shall not be the same person as the Chairman of the Board. The term of office shall be 3 years to comply with the office term as directors.

Duties and Responsibilities of the Audit Committee

1. To review the sufficiency and credibility of the financial reporting.
2. To review the adequacy and effectiveness of internal control systems and internal audit functions and the independence of internal auditing unit as well as to approve the appointment, transfer, dismissing of the head of internal auditing unit or any other unit responsible for internal auditing.
3. To review compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws.
4. To consider and advise the appointment of an independent person to work as the external auditors including the audit fee. The Audit Committee shall hold at least one meeting with the auditor without the management's presence at the meeting.
5. To consider compliance with all connected transactions or the conflict-of-interests transactions disclosures, to ensure that the transaction is justified and for the best benefit of the Company.
6. To report the activities of the Audit Committee in the Company's annual report, which must be signed by the chairman of the Audit Committee. The following information should be included in the report:
 - (6.1) Comments on the Company's financial reporting process and the disclosure of its financial information, which must be correct, sufficient, and credible
 - (6.2) Comments on the adequacy of the Company's internal control systems

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- (6.3) Comments on compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws
- (6.4) Statements on whether the Company's auditor is suitable
- (6.5) Comments on the transaction with potential conflicts of interest
- (6.6) The number of audit committee meetings and meeting attendance of each member
- (6.7) General comments or observation from the performing of duties according to the Charter
- (6.8) Other statements that shareholders and general investors deem to be considered under the scope of the functions and responsibilities assigned to them by the board.

7. To take care of any other matters assigned to it by the Board of Directors, with the consent of the Audit Committee.

In 2012, the Audit Committee held 4 meetings, with attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Art-ong Jumsai Na Ayudhya, Ph.D.	Chairman of the Audit Committee	2011-2014	3/4
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director	2011-2014	4/4
(3) Mr. Banchong Chittchang	Independent Director	2011-2014	4/4

4.2.2 Remuneration Committee

The Remuneration Committee shall comprise a majority of independent directors with its chairman being an independent director who shall not be the same person as the chairman of the board. The term of office shall be 3 years to comply with the office term as directors.

Duties and Responsibilities of the Remuneration Committee

1. To set the criteria and procedure for determining remuneration of directors, executive directors, managing director and proposed to the Board of Directors and/or the shareholder meeting for approval.
2. Other functions related to remuneration as assigned by the Board.

In 2012, the Remuneration Committee held 2 meetings, with attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Chairman of the Remuneration Committee	2011-2014	2/2
(2) Mr. Banchong Chittchang	Independent Director	2011-2014	2/2
(3) Mr. Whang Shang Ying	Executive Director	2011-2014	2/2

4.2.3 Nomination Committee

The Nomination Committee shall comprise a majority of independent directors with its chairman being an independent director who shall not be the same person as the chairman of the board. The term of office shall be 3 years to comply with the office term as directors.

Duties and Responsibilities of the Nomination Committee

1. To review the current structure of the Board of Directors whether it fits the company's business strategies and provide improvement, recommendations including the director nomination to suit the corresponding structure by presenting the Director Qualifications and Skills Matrix showing competencies of the existing directors and the attributes being sought to suit the needs of the Board of Directors at that time.

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2. To assess and recommend to the Board based on a due diligence investigation and interviews, technically competent persons of integrity, principle and who foster and practice highest standard of professionalism for appointment as directors.
3. To allow minority shareholders to nominate a director candidate to the Nomination Committee. A time frame for the nomination process must be in place to ensure that the Nomination Committee will have sufficient time to perform due diligence on the candidate's background before the shareholders' annual meeting.
4. To disclose the director nomination policies and procedures to shareholders with a view to ensure transparency in selection of directors. A director nomination form should be available and contain relevant appointment information including supporting reasons and willingness of the nominated candidates.
5. To consider the following guidelines in selecting director candidates:-
 - (5.1) Characteristics of individual director
 - integrity and accountability
 - informed judgment
 - prudence and maturity i.e, able to engage in constructive debates and give independent opinions
 - principled and professional
 - other characteristics as the Nomination Committee deems appropriate
 - (5.2) Competencies in the following areas to ensure the Board's overall suitability
 - accounting and finance
 - organisation and human resource management
 - risk management
 - crisis management
 - legal and Compliances
 - industry knowledge
 - international marketing
 - strategic planning
 - other competencies as the Nomination Committee deems appropriate
6. To ensure that all directors receive appropriate continuous training programmes in order to keep abreast with developments in the industry and with changes in the relevant statutory and regulatory requirements.
7. To carry out such responsibilities as may be delegated by the Board of Directors from time to time.

In 2012, the Nomination Committee held 1 meeting, with attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Datuk Simon Shim Kong Yip	Chairman of the Nomination Committee	2011-2014	0/1
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director	2011-2014	1/1
(3) Mr. Banchong Chittchang	Independent Director	2011-2014	1/1
(4) Mr. Whang Shang Ying	Executive Director	2011-2014	1/1

4.3 Board of Directors' Meetings

The Company shall meet at least once in every quarter provided always that the Chairman of the Board may call special meetings as he deems necessary. The meeting schedule shall be set in advance annually and inform to each director in November every year.

The Company Secretary shall set agenda required to comply with the law and related regulations. Other agenda shall be jointly set by the Chairman and the Managing Director. Each Director may also propose agenda items for the meeting by sending the agenda items through the Company Secretary 14 days prior to the meeting date. The Company Secretary shall collect all the proposed agenda items for the Chairman consideration before include them in the meeting agenda.

The Company shall send to all directors meeting document with the meeting notice, clearly stating the matter as for information, for approval or for consideration as the case may be, at least 7 days prior to the meeting date to enable each director to have time to

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study the information before the meeting. During the meeting, the Chairman will allocate sufficient time for the management to present detail information and answer additional questions from the directors, and allow sufficient time for the directors to discuss the matters.

In 2012, the Board of Directors held 4 regular meetings and 1 extra meeting. The attendance of each member is as follows:

Name of Director	Period of Directorship	Attendance / Total Meetings		
		Regular	Extra	Total
(1) Mr. Whang Tar Liang	2010-2013	4/4	0/1	4/5
(2) Mr. Somchai Chongsawadchai	2010-2013	3/4	1/1	4/5
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	2011-2014	3/4	1/1	4/5
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	2012-2015	4/4	1/1	5/5
(5) Mr. Banchong Chittchang	2011-2014	4/4	1/1	5/5
(6) Datuk Simon Shim Kong Yip	2011-2014	2/4	1/1	3/5
(7) Mr. Whang Shang Ying	2012-2015	4/4	0/1	4/5
(8) Mr. Ampol Simarojana	2010-2013	4/4	1/1	5/5
(9) Ms. Anchalee Suebchantasiri	2012-2015	4/4	1/1	5/5

The minutes of the meeting shall be in writing stating the date, time of meeting commencement and termination, names of directors attending the meeting and directors absent from the meeting, summary of topics and issues as well as observation of the directors, resolutions and opinion of dissenting directors, name of persons recording the minutes and certifying the minutes. After being confirmed the minutes shall be kept by the Company Secretary and will be ready for examination by related parties.

Non-executive directors may hold meetings among themselves without the management present at the meeting in order to discuss management issues of interest. The result of the meeting shall be reported to the managing director. In 2012, there were 2 meetings of non-executive Directors which were not attended by Executive Directors.

4.4 Board Self Assessment

The Company shall have the board assess themselves using the assessment form of the SET's Corporate Governance Center. The assessment will be done once each year in February. Each director shall hand in the completed assessment form to the Company Secretary to compile and report to the Board so that improvement can be considered.

4.5 Remuneration of Directors and Executives

1) Remuneration of Directors

The Remuneration Committee shall consider the criteria and principle and the form of remuneration for directors and make its recommendation to the Board. The Remuneration of directors shall be approved by the shareholder meeting. Comparison shall be made to other companies in the same industry, of the same experience, commitment, scopes of roles and responsibilities as well as the remuneration survey of other companies listed on the SET. The remuneration shall be set at a level sufficient to attract and retain qualified persons.

Remuneration of Directors and Sub-Committee (Baht)	No. of Persons	2011	2012
Directors fees	9	3,576,000	3,576,000
Audit Committee fees	3	1,134,000	1,134,000
Remuneration Committee fees	3	120,000	120,000
Nomination Committee fees	4	80,000	80,000

Besides monetary remuneration, overseas directors attending the meeting shall be reimbursed for air-tickets and accommodation. The Company also takes out insurance against director liability for directors and executives. It is to cover the risk of directors and executives in performing duties for the Company. However, protection will not be provided in the case of wilful misconduct or gross negligence or any act in bad faith.

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2) Remuneration of Executives

The remuneration of Executives shall be according to guidelines and policy set by the Remuneration Committee from time to time. The remuneration shall be commensurate to job scope competence and the performance of the Company. The Remuneration Committee shall recommend the appropriateness of remuneration to the Board for review and approval.

In 2012 Executive Directors, Managing Director and Executives jointly defined key performance indicators (KPIs) for assessment criteria used by the Remuneration Committee in assessing the performance of Executive Directors, Managing Director and Executives.

Executives	2011		2012	
	Remuneration (Baht)	No. of Persons	Remuneration (Baht)	No. of Persons
Executives	75,903,325	10	88,935,871	8

Apart from salary and bonus, other forms of remuneration include Company's cars and the related expenses, medical expense, and accidental insurance.

Furthermore, some directors concurrently holding positions as directors and executives of subsidiary companies will receive remuneration from some subsidiary companies as set by each such subsidiary company.

Remuneration received from subsidiary Companies	2011		2012	
	No. of Persons	Baht	No. of Persons	Baht
As directors of subsidiaries	4	1,966,000	5	1,721,200
As executives of subsidiaries	3	8,669,700	3	9,662,100

4.6 Board and Management Training

The Company arranges orientation for new directors, which includes factory tour arranged by the management to observe production processes as well as introduction to the nature of business of the Company and its subsidiaries. The following documents would be provided to the new directors:

1. Listed Company Director Handbook containing topics such as roles and responsibilities, things directors should not do as they are prohibited by relevant law, roles and responsibilities of sub-committees.
2. Corporate Governance Policy and Code of Business Conduct of the Company.
3. Memorandum and Articles of Association of the Company.
4. The latest annual report and Form 56-1 annual submission.

Furthermore, the Company has the policy to encourage directors to receive training or joining programme to enhance knowledge regarding roles and duties as company directors and sub-committee members. Particularly, DCP programme conducted by Thai Institute of Directors to promote knowledge of company directors and understanding of rules and regulations relating to listed company directorship.

4.7 Code of Business Conduct

The Company recognises that following code of conduct on the part of executives and employees is necessary for the sustainability and achievement of the Company in the long term.

The Company believes that the code of business conduct is a basic foundation for promoting and upgrading good corporate governance. LST has updated its code of business conduct as a codification of good behavior patterns which have been approved by the Board of Directors and announced to all directors, executives and employees. The Company has subsequently monitored the compliance to the code strictly and regularly.

4.8 Conflict of Interests

4.8.1 Prevention of use of inside information

To prevent directors and executives from using inside information for personal gains and disclose it to outside parties, LST sets the following rules:

- Executives shall report their holding of LST's shares and report change of holding to the Securities and Exchange Commission (SEC) according to section 59 of the Securities and Exchange Act B.E. 2535 within 3 days of the transaction date and handing copy thereof to the Company Secretary as well as report shareholding to the Board every quarter. Future change of law (if any) shall also enforceable.

"Executives" means directors, manager or top 4 management officers from managing director downward. This shall include executive level accounting or finance officer of manager level or equivalence who have the duty to prepare and file report of shareholding both in his own name, spouse and minor child to the SEC.
- Directors, executives, managers and employees who have access to inside information shall be prohibited from disclosing such information to outside parties who has no duty involving the Company and shall refrain from buying and selling LST's shares in the period of 1 month prior to disclosure of company financial statements to the public.
- Directors, executives, managers and employees shall be prohibited from using inside information, that may materially affect the share prices, which has not yet disclosed to the public, for personal gains and/or persuading other persons to buy or sell LST's shares. The Company shall take action against violation of the rule which shall be punishable by law.
- In case directors, executives managers and employees intentionally commit any criminal act according to law on securities and exchange, the Company shall punish the violators by any one or more penalties as follows:
 - cut wages or compensation or other benefits
 - layoff, dismiss, or discharge from the post of director, executive, manager and employee as it would be deemed intentionally causing damage to the Company's reputation. In case the violator is a director, the matter shall be submitted to the shareholder meeting to consider the penalty.
 - report the violation to the SET and/or the SEC
 - report to the police to take action according to the law
 - take other measures according to the resolution of the board or the shareholder meetings.

4.8.2 Approval of transaction containing conflict of interest

In the event that directors, executives, or other persons enter into related party transaction or transaction containing potential conflict of interest and transaction regarding acquisition or disposal of material assets as defined by the Announcements of the SEC and the SET which are in force on the date of such transaction. The following rules shall be strictly followed:

- (1) Person with interest or potential conflict of interest shall refrain from approving the transaction.
- (2) The price or compensation for such transaction shall be under normal business terms and conditions with the benefit of the Company as the main consideration.
- (3) The Audit Committee shall review and give opinion prior to the transaction. If the Audit Committee has no expertise in the matter, the Company shall arrange to have independent expert to give opinion to the Audit Committee which will be used in its scrutiny of the matter before submitting to the Board and the shareholder meeting for approval.

However, in order to facilitate normal business transaction, the Board has approved in principle to allow the management to do the transaction between the Company and its subsidiaries if the transaction fall into the following categories:

1. Being a transaction with the same commercial terms as those an ordinary person would agree with any unrelated counterparty under the similar circumstances, on the basis of commercial negotiation and without any dependent interest resulted from the status of the director, executive or related person.
2. Being reasonable advance payments occurring in the normal course of business operation and with reimbursement on an actual basis.

The management shall report transaction with value over 500,000 Baht to the quarterly Board meetings.

(4) The Company shall disclose the transaction according to the rule and procedure set out by the SEC and the SET.

4.8.3 To disclose information on the interest of directors, executives, and related persons

In order for the Board to make decision based on the common interest of the Company and to have directors, executives who have transaction with interest involving the company business to comply with the announcement of the Capital Market Supervisory Board no. Tor Jor. 2/2552 re: Reporting of interest of directors, executives and related persons, LST set the following rules:

- Directors, Executives and related persons who have transaction with interest in relation to management of the Company or its subsidiary with the value of 5 million Baht or more, or 0.05% of the Net Tangible Assets (NTA) of the Company or its subsidiary, whichever amount is higher, shall file a report to the Company Secretary, according to the report form, within 7 business days from the date of transaction. Every time there is a change of the transaction, such change must be reported within 7 business days from the date of change.
- The Company Secretary shall submit a copy of the report on interest under paragraph 1 to the Chairman of the Board and Chairman of the Audit Committee within 7 business days from the date of receipt of such report.
- Directors and Executives who have interest in the agenda item under consideration of the meeting shall not participate in making decision and shall leave the meeting room. The Company will not send document related to the said agenda to such interested persons.
- The Company shall disclose such interest in the annual report and Form 56-1.

4.9 Controlling System and Internal Audit

In order to have an independent internal auditing which can be fully functioning the Audit Committee arranged for the Company to hire an outside firm which is an audit firm in the list approved by the SEC to do the auditing, to ensure that the operations, financial activities of the Company have complied with the guidelines effectively, including compliance with the law and regulations. The internal auditor shall report directly to the Audit Committee every quarter.

4.10 Risk Management

The Company set a policy that risk management is part of the management to achieve objective, target, and strategic plans of the Company. Every executive and employee in the Company is the owner of the risk and has the duty to assess the risk in every unit and work process, assessing the efficiency and existing control measure and propose plan and method to reduce risk.

4.11 Succession Plan

The Company has prepared for succession plan by recruiting management trainees to develop knowledge and ability for being company future executives.

In addition, the Company assigned the following persons to take charge and act in behalf in case the Managing Director is unable to function, namely,

1. Factory Director act and make decision regarding the factories of the Company and its subsidiaries;
2. Finance Director act and make decision in other matters of the Company and its subsidiaries.

GENERAL INFORMATION

Company Profile

Name of Company	:	Lam Soon (Thailand) Public Company Limited
No. of Registration	:	0107538000568 (formerly Bor Mor Jor 579)
Home Page	:	www.lamsoon.co.th
Corporate Headquarters	:	64 Soi Bangna-Trad 25, Bangna, Bangkok 10260 Tel 02-361 8959/87 Fax (Management Dept.) 02-361 8988/9 Fax (Sales Dept.) 02-361 8994/5
Refinery Address	:	236 Moo 4, Bangpoo Industrial Estate, Sukhumvit Road, Phraeksa Sub-District, Muang District, Samut Prakarn 10280 Tel 02-709 3610/24 Fax 02-324 0640
Crushing Mill Address	:	99/9 Moo 2, Sikao-Kuankun Road, Kalasae Sub- District, Sikao District, Trang 92150 Tel 075-267 275 Fax 075-267 265
Nature of Business	:	Manufacturer and distributor of vegetable oil products, margarine and shortening
Registered Share Capital	:	820,000,000 Baht
Outstanding shares (common shares)	:	820,000,000 shares
Par value	:	1 Baht

Companies in which the Company has investment holding of more than 10%

1. United Palm Oil Industry Public Company Limited (UPOIC)

Corporate Headquarters	:	64 Fl.1, Soi Bangna-Trad 25, Bangna, Bangkok 10260
		Tel 02-744 1046/8 Fax 02-744 1049
Krabi Office and Crushing Mill Address	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km.9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130
		Tel 075-666 075 Fax 075-666 072
Nature of Business	:	A plantation company producing crude palm oil and crude palm kernel oil
Registered Share Capital	:	324,050,000 Baht
Outstanding shares (common shares)	:	324,050,000 shares
Shareholding (common shares)	:	226,715,110 shares or 69.96%

2. Universal Food Public Company Limited (UFC)

Corporate Headquarters	:	60 Soi Bangna-Trad 25, Bangna, Bangkok 10260
		Tel 02-361 8954-7, 02-398 8555 Fax 02-744 0860/2
Factory Address (1)	:	64 K.M. 1, Moo 1, Lampang-Chiang Mai Road, Pongsaengthong Sub-District, Muang District, Lampang 52100
		Tel 054-225 081/4 Fax 054-225 085
Factory Address (2)	:	469/1 Bhapatone-Banpaew Road, Moo 3, Don-yai-hom Sub-District, Muang District, Nakhon Pathom 73000
		Tel 034-229 397/8 Fax 034-229 759
Nature of Business	:	Fruit and vegetable processing; Manufacturer of fruit juices & drinks, coffee, beverage, sauces and seasonings for sale in both the domestic and export markets.
Registered Share Capital	:	525,000,000 Baht
Issued and Paid-up Share Capital	:	525,000,000 Baht
Outstanding shares (common shares)	:	52,500,000 shares
Shareholding (common shares)	:	51,848,557 shares or 98.76%

Other references

1. Register

Name : Thailand Securities Depository Co., Ltd.
Address : 62 Ratchadapisek Road, Klongtoey, Klongtoey,
Bangkok 10110
Tel 02-359 1200/1, 02-229 2800
Fax 02-359 1259

2. Auditor

Name : Mr. Wichart Lokatekrawee
Certified Public Accountant No. 4451
Address : Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klongtoey, Bangkok 10110
G.P.O. Box 1047, Bangkok 10501
Tel 02-264 0777, 02-661 9190
Fax 02-264 0789/90, 02-661 9192

No. of years being the Company's Auditor : 3
Relations or interests with the Company / : --None--
the Company's subsidiaries /
the management / major shareholders /
or any relevant persons of the aforementioned

NATURE OF BUSINESS

Lam Soon (Thailand) Public Company Limited operates a crushing mill and a palm oil refinery. With its refining capacity at 1,000 MT per day or 365,000 MT per year, it is considered a major player in Thailand. It also sells and markets its product line which includes:

1. Processed Palm Oil
 - 1.1 RBD Palm Oil
 - 1.2 RBD Palm Olein
 - 1.3 RBD Palm Stearin
 - 1.4 Hydrogenated Fat
 - 1.5 Palm Fatty Acid
 - 1.6 RBD Palm Kernel Oil
2. Other non-palm vegetable oils (Coconut Oil, Soybean Oil, Sunflower Seed Oil, Corn Oil, Camellia Oil, Olive Oil, Blended Canola and Sunflower Oil, Pure Canola Oil, Rice Bran Oil)
3. Shortening and Margarine
4. Fruits and vegetables packed in can, pouch, and glass container
5. Fruit juices and juice drinks, coffee and miscellaneous beverage
6. Sauces and seasonings
7. Packed and frozen tropical fruits and vegetables

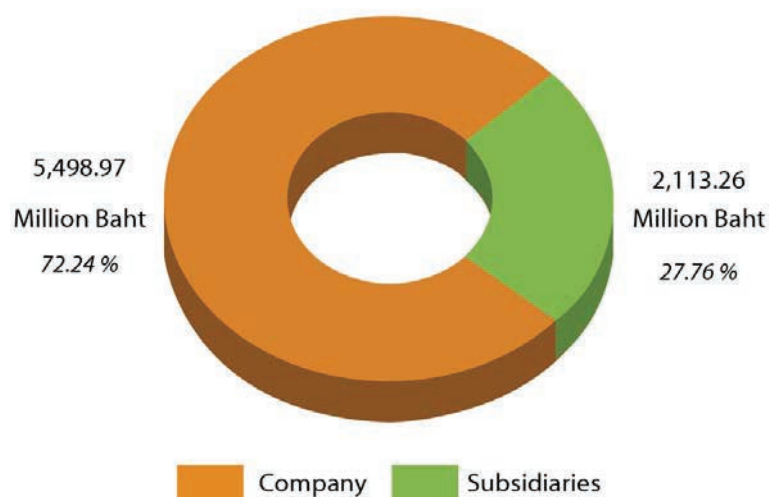
Items 4, 5 and 6 are manufactured by its subsidiary, Universal Food Public Company Limited (UFC)
Item 7 is manufactured by UFC's subsidiary, Union Frost Co., Ltd.



NATURE OF BUSINESS

Revenue structure

	2010		2011		2012	
	Mil.Baht	%	Mil.Baht	%	Mil.Baht	%
LST	5,838.88	78.02	6,689.42	75.29	5,498.97	72.24
Subsidiaries	1,644.99	21.98	2,195.66	24.71	2,113.26	27.76
Total	7,483.87	100.00	8,885.08	100.00	7,612.23	100.00



Product/Services by Group	Operated by	2010		2011		2012	
		Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Vegetable Oil	LST and UPOIC	5,276	70.50	6,005	67.59	4,876	64.05
Margarine & Shortening	LST	548	7.32	658	7.41	593	7.79
Other palm based products	LST and UPOIC	42	0.57	297	3.35	168	2.21
Selling Electricity power to PEA	LST and UPOIC	18	0.24	20	0.23	20	0.26
Fruits and Vegetables	LST and UFC (i)	1,222	16.33	1,414	15.91	1,300	17.08
Beverage	LST and UFC (i)	297	3.96	380	4.27	541	7.10
Sauces and Seasonings and others	LST and UFC (i)	81	1.08	111	1.25	115	1.50
Total Sales - Net		7,484		8,885		7,612	

Note : (i) On March 1, 2006, LST was appointed as distributor for UFC products in the domestic market.

News Highlights of previous year

Company's Certification : For social and environmental care

- The Bangpoo refinery has applied to participate in the Project of Supply Chain Security Standard Promotion for Security from terrorist, disaster or burglary, by the Department of Primary Industries and Mines (DPIM) and Management System Certification Institute (Thailand) (MASCI) to systematise the security management of supply chain according to ISO 28000.
- The Bangpoo refinery and Trang crushing mill have been certified for the Mass Balance (MB) Roundtable on Sustainable Palm Oil (RSPO) Supply Chain on 11 June 2012.
- The Bangpoo refinery has applied to participate the Halal Standard THS 24000:2552 (Thai Halal Standard) with the Halal Standard Institute of Thailand (HIT) in order to be certified for THS 24000 : 2552 in year 2013.



Marketing : New product launches

- With the continuous improvement of quality and to strengthen the leading position in bakery business, the Company has developed a new margarine product under the brand name "Popcorn". It was formulated for applying with the roasted corn for better fragrance, taste, and crispy corn texture.
- In the beverage category, sustainable and healthy sales growth in 2012 was driven by improvement in product quality and new product innovation. Sales of UFC 100% coconut water saw strong growth in the export market. In the domestic market, UFC launched the uniquely innovative HOMESOY soy milk with Job's Tears in 300ml plastic bottle, and new Asian Drink range of chrysanthemum tea and Lo Han Guo in 1 litre Tetrapak.



1. Palm Oil Price Volatility and Interventions from Government Sector

The monthly average price of CPO in 2012 was volatile, ranging between 22.95 and 35.90 Baht/Kg (2011 : 28.14 - 58.20 Baht/Kg). The average price in 2012 was 30.86 Baht/Kg, decreasing by 15.66% from 2011. CPO production in 2012 was the highest volume ever. However, within the year, the Government, concerned that the shortage of palm oil might recur, allowed the importation of 40,000 MT of palm oil in view of the continuously decreasing palm oil stock balance as well as imposed the surcharge from CPO export. After that, FFB volume recovered from August to more than 1 million MT per month. As a result, accumulated CPO stock balance became surplus at year end; and CPO and FFB prices collapsed to their lowest in the last three years. Therefore, growers started to protest and eventually, price intervention was reintroduced by the Government in late 2012 and early 2013 by implementing the project "absorption of CPO volume from the market in 2012/13", in two phases (50,000 MT each). CPO and FFB prices were set at 25 and 4 Baht/kg, respectively (at 17% OER).

The government intervention created management difficulties to the Company due to its arbitrariness and lack of transparency. Furthermore, the period of time left before the ASEAN Economic Community (AEC) comes into effect in 2015 is not sufficient to strengthen the competitiveness. The Government has never implemented a coherent long-term policy to develop the palm oil industry. Accordingly, intense competition from incoming free trade will have an adverse affect on farmers and all industry players.

2. Bottled Palm Olein and FFB as Controlled Items

Palm olein, especially packed oil below 5 litres, is subject to price control by the Internal Trade Department. For this reason, the Company may not be able to adjust the selling price freely to align with the raw material cost. Furthermore, the import of palm oil is restricted. Such price control could result in the volatile operating performance of the industry.

The refineries had proposed to the Internal Trade Department to exercise more flexibility in its price control mechanism so as to correspond to the movement of CPO cost. Instead, the Cabinet on 21 January 2013 approved the Commerce Ministry's proposal to add FFB to the price control list to protect consumers or farmers from the prices spikes or price slumps arising from volatile production and periodic shortages or surplus.

3. Climate

Because the major raw material of the Company comes from agricultural product, its future financial performance is to a large extent dependent on uncontrollable factors such as weather condition, rainfall level, and the quantity of Fresh Fruit Bunch (FFB) harvested in Thailand in each season. Recently there have been fluctuations in weather phenomenon that is very uncommon. Heavy flooding in some years and severe drought in others caused the volatility in output each year or during the year, leading to government intervention.

2012 Overview

The area of oil palm planting continues to expand especially in the North and Northeast region of Thailand where it has been chosen to be substitution to other crops because of its higher comparative return. This makes the total area of around 4 million rais so far. However, oil palm needs a certain amount of moisture or water supply to maximise yield; therefore, careful selection is needed of suitable areas for planting such as less dry months or high water table areas as well as suitable planting material which is drought tolerance, disease resistance, and gives early yield.

With effect from April 2012, the state official minimal daily wage has increased; in Krabi province it has risen from 184 to 257 Baht or around 40%. As a consequence, oil palm plantation, being a labour-intensive industry, immediately faced considerably higher operation cost.

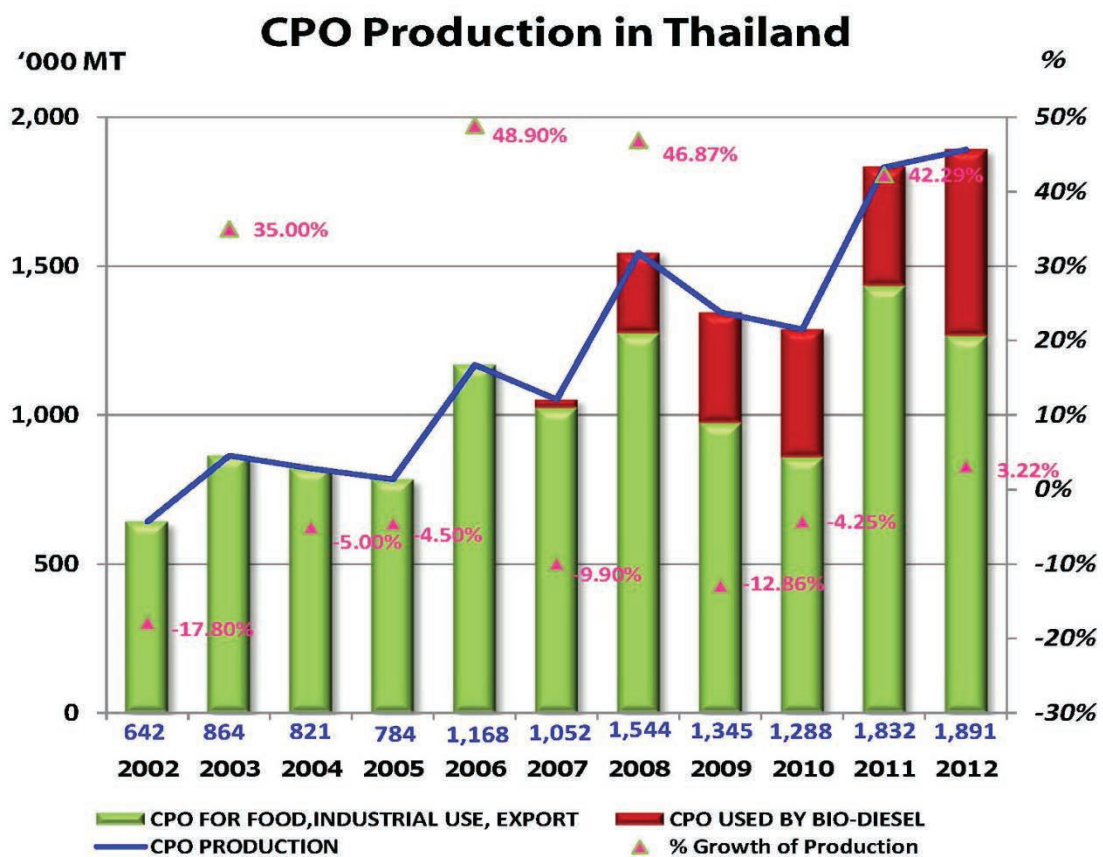
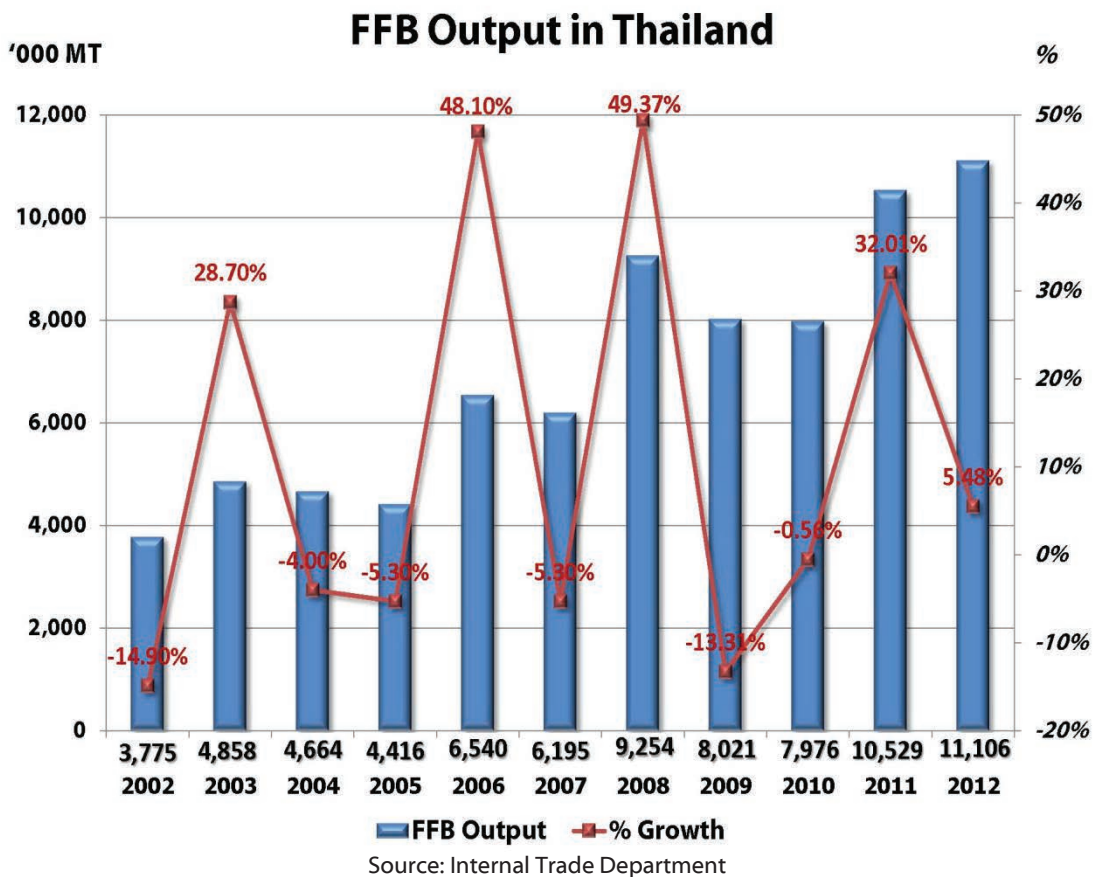
Employing foreign workers was an alternative method but traded off with high dues cost and low efficiency due to lack of skill for the same wage rate. Implementing machinery assisted harvesting and field upkeep is also being considered as a substitute for manual labor.

FFB and CPO

Total fresh fruit bunch (FFB) for 2012 is 11 MT which is higher than 2011 by 577,538 MT or 5.49%. The highest FFB output was 1,124,029 MT in September and the lowest was 742,731 in June. The even distribution of rainfall throughout the year gave rise to a higher bunch weight and lessened inflorescent abortion. The increasing of harvesting areas from upcoming mature palms by more than two hundred thousand rais in 2012 is another explanation for the increased yield.

Total crude palm oil (CPO) production in the Kingdom in 2012 was 1,891,133 MT that was slightly higher than 2011 for 3.22%; whereas, oil extraction rate (OER) was 17% that close to 2011. The CPO stock left over from 2012 was considering high at 362,267 MT (figure from the Internal Trade Office).

However, the purchase and sale of FFB that is mediated by the ramp brokers, who collect FFB from growers and sell to the mills, compromises overall oil quantity by improper handling of fruit; FFB was retained overnight in order to separate loose fruits for higher price and water sprayed to increase additional weight before delivery to mills. The situation is expected to persist so long as the intense competition among mills in crop procurement continues, and the government allows mediated ramps to operate freely without effective control measure. The number of independent FFB ramp currently totals 2,000 units.



PALM OIL INDUSTRY AND COMPETITIVENESS

Processing capacity

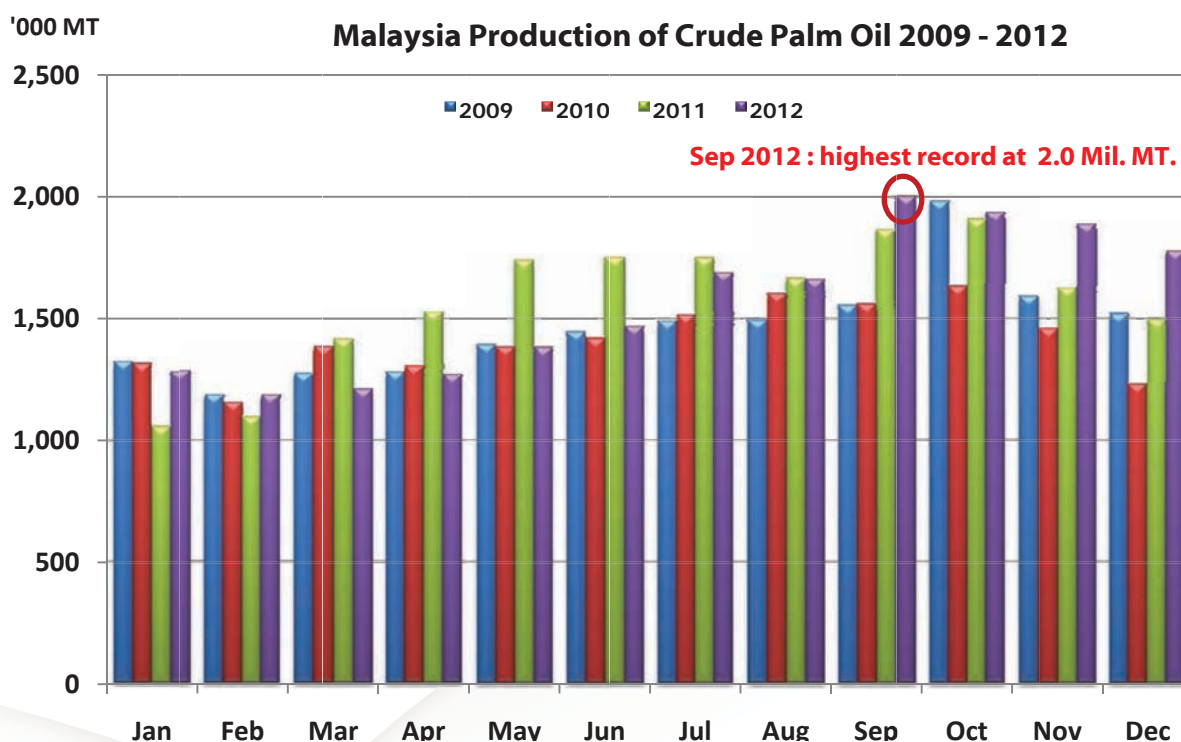
1. **Crushing mills**: The number of CPO crushing mills has increased from 43 in 1999 to 80 at present, giving rise to a current total milling capacity of about 20 million MT of FFB per year, which is significantly higher than the FFB output recorded in 2012 at 11 million MT. Capacity utilisation rate of crushing mills was around 55%. The high imbalance between demand and supply persists, contributing to price volatility and ultimately hindering the development of the industry in Thailand.

2. **Refineries**: As for the downstream industry, there are a total of 15 refineries in Thailand giving a current refining capacity of about 2.5 million MT of input per annum. The capacity utilisation is estimated at 70%. The competition among refineries is not so intense because there is a barrier for newcomers due to requirement of huge capital investment cost, know-how, and technology.

3. **Margarine and Shortening**: It is estimated that the capacity utilisation of the industry is lower than 50%. There are about 4-5 major players in this business, with LST ranked no.1 in the retail bakery channel.

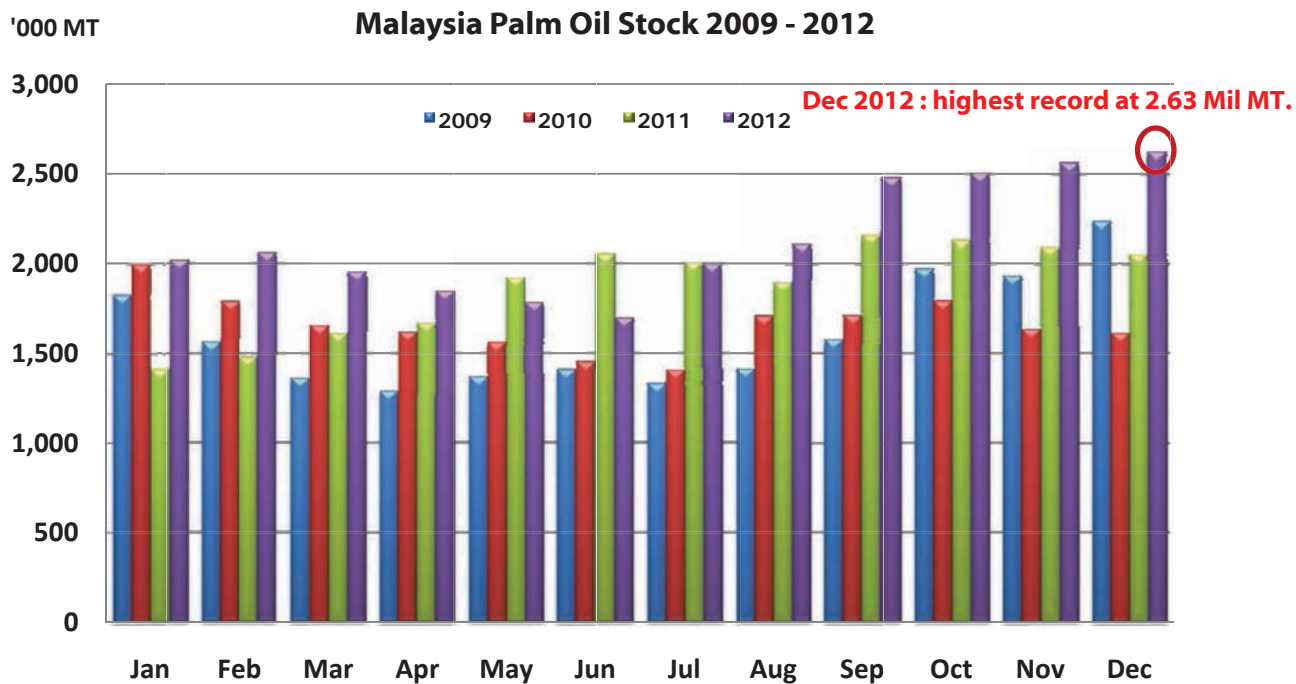
Market Condition and Palm Oil Price

In 2012, average CPO price in global market was lower than which in 2011. The Bursa Malaysia Derivative: 3rd Month market price reached the highest at 3,621 RM/MT in April and declined continuously until brought the annual lowest at 2,227 RM/MT in December. This made the average annual Bursa Malaysia Derivative: 3rd Month price 2,958 RM/MT which was less than which in 2011 for 3,238 RM/MT or 9% decrease. The market prices had rapidly gone down in late four months period of the year because of the Malaysian CPO quantity was as high as ever in September at 2 million MT and palm oil inventory was also as high as ever for 2.63 million MT in December; whereas, world demand remarkably decreased especially in Europe and China markets according to the economic downturn.



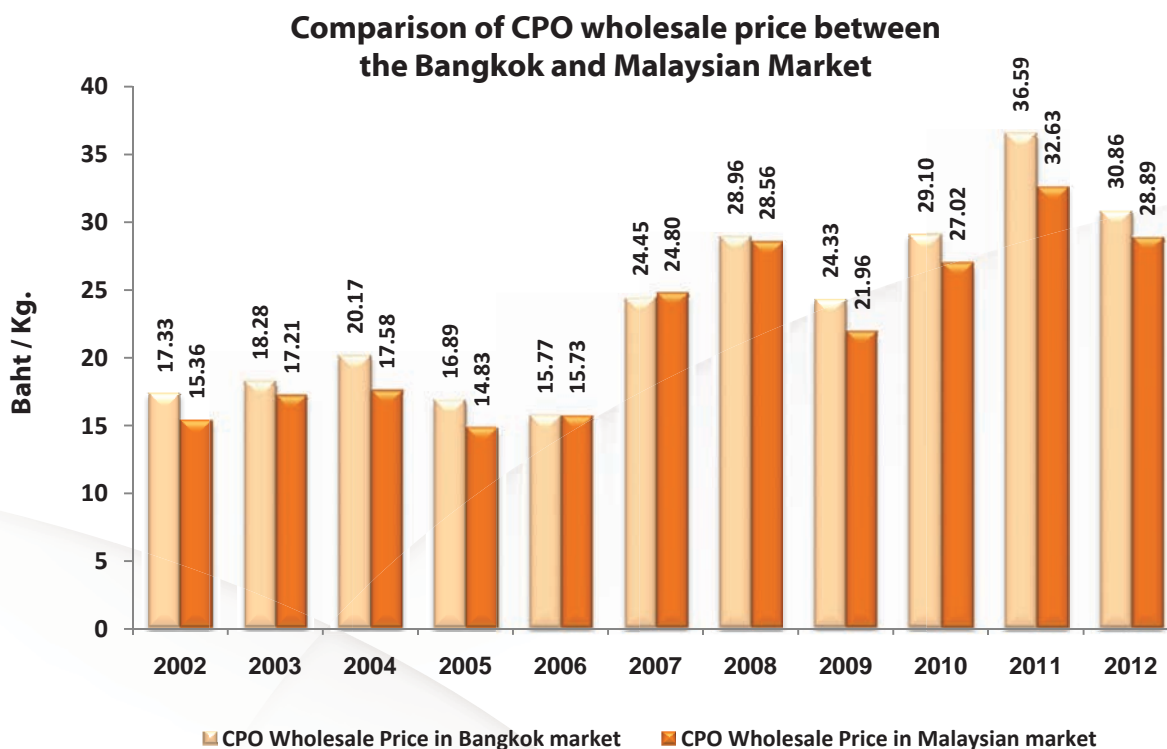
Source : Malaysian Palm Oil Board

PALM OIL INDUSTRY AND COMPETITIVENESS



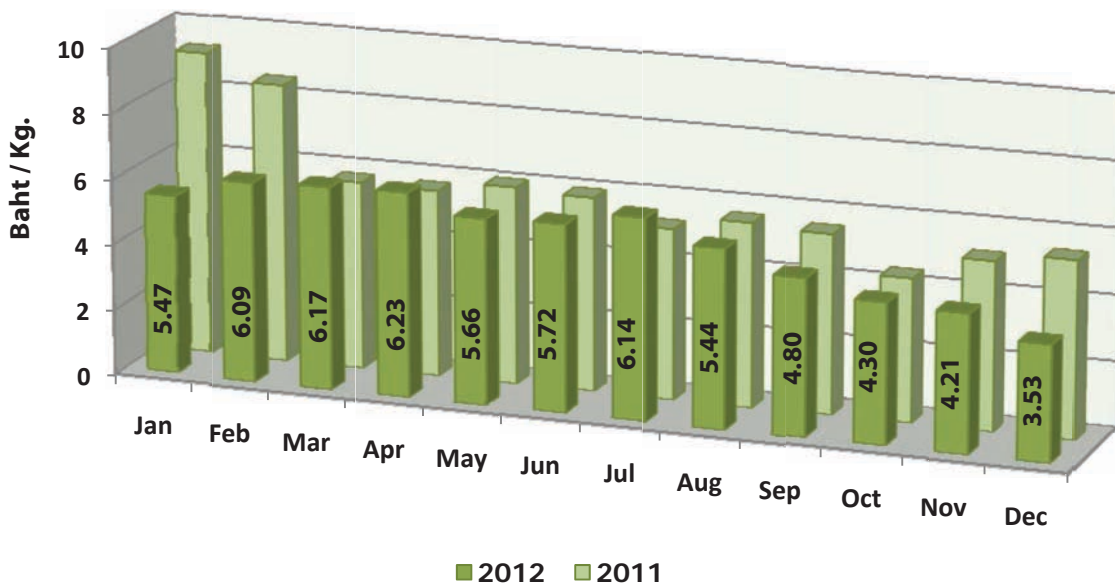
Source : Malaysian Palm Oil Board

The Kingdom monthly CPO prices in 2012 varied in between 22.95-35.90 Baht/kg (compared to 28.14 – 58.20 Baht/kg in 2011) the same as FFB prices that varied in between 3.53-6.23 Baht/kg (compared to 4.38-9.27 Baht/kg in 2011) (figures from the Internal Trade Office). The annual average FFB and CPO prices were 5.31 and 30.86 Baht/kg (compared to 6.02 and 36.59 Baht/kg in 2011).



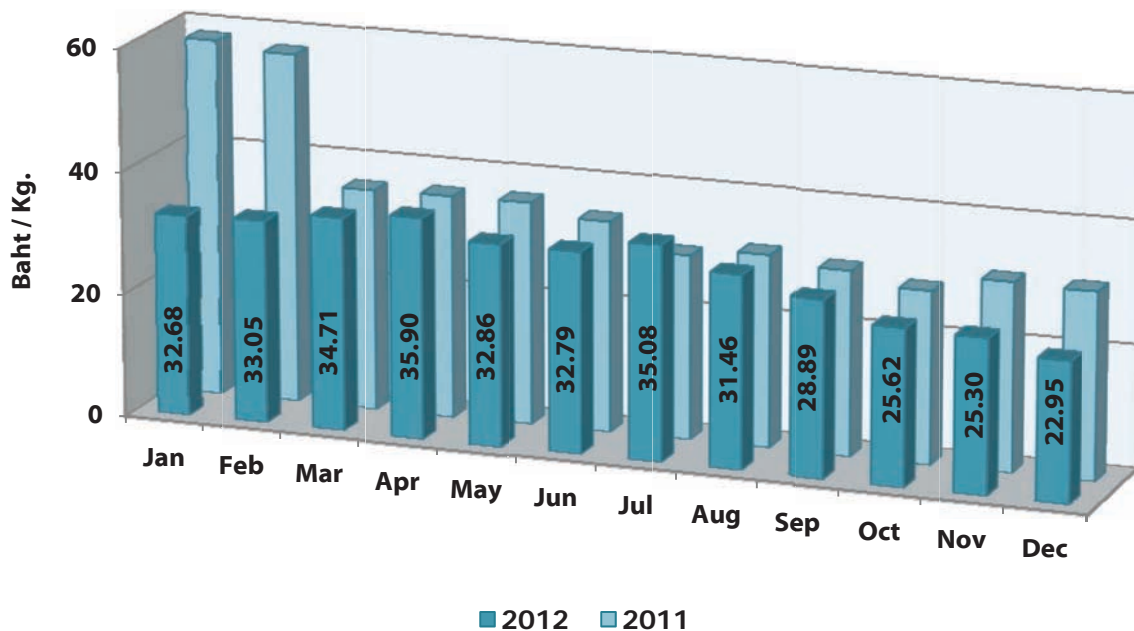
Source : Internal Trade Department

**FFB Price movement in 2012
(17% OER; delivery to major crushing mills)**



Source: Internal Trade Department

CPO Price movement in 2012 (Delivery to Refinery)



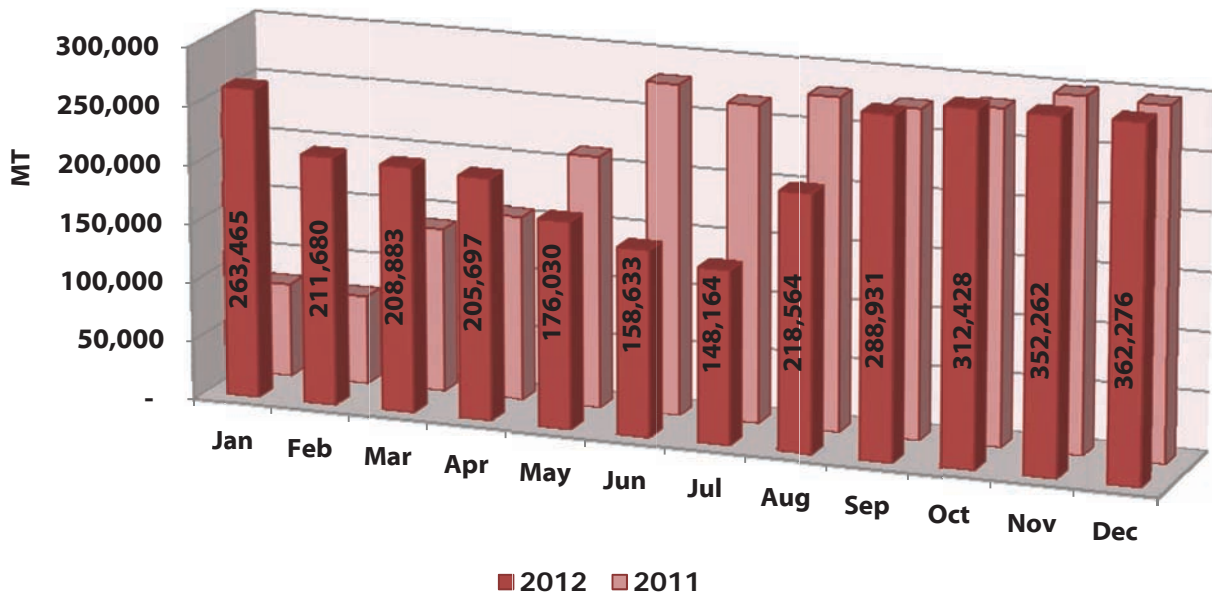
Source: Internal Trade Department

PALM OIL INDUSTRY AND COMPETITIVENESS

Palm oil inventory in the Kingdom had been continuously declining since late 2011 until April 2012, when the figure reached bottom-down to 205,697 MT. The Cabinet then resolved to import 40,000 MT on April 18, 2012 out of concern about the supply shortage and to avoid increase ceiling price of bottled palm oil requested from the refinery. Such import was carried out 3 times between May and August. Over the same period the stock palm oil had still gone down to the year lowest at 148,164 MT in July that caused CPO price to rise above 35 Baht/kg.

However, in August and after, the pendulum swung as monthly FFB amount recovered to more than 1 million MT and surplus CPO volume accumulate by late of the year to reach highest ever quantity at 362,267 MT in December. The high stock pressured CPO and FFB prices to be 19 and 2.75 - 3.00 Baht/kg, respectively, the lowest prices for last 3 years. This led to growers protested and the Government responded late in 2012 and early 2013 by implementing the project "absorption of CPO volume from the market in 2012/13" for 2 phases (50,000 MT each) that configured CPO and FFB prices to be 25 and 4 Baht/kg, respectively (OER 17%). There was the discussion by the Ministry of Energy to increase mixture of bio-diesel from 5% to 6-7% and coordination with some industries to consume bio-diesel B-100 instead of fuel oil.

Stock of CPO Equivalent in 2012



Source: Internal Trade Department

Palm Oil Production and Price Outlook for 2013

Because of the surplus palm oil quantity in late 2012 and early 2013, FFB and palm oil prices have been rapidly decreasing. Therefore, state government's programme to absorb a certain amount of CPO off the market was only a short term solution and the surplus is expected to persist in the market until March.

FFB production in 2013 is expected to exceed 12 million MT (2012 : 11 million MT) from the expanding growing areas, especially from the 2009 - 2011 plantings. In terms of demand, the edible consumption is estimated 1 million MT and the usage from bio-diesel at 600,000 MT, the same as 2011, assuming, 5% mixture (B5) continues to be implemented. Therefore, the export of 300,000 - 400,000 MT of palm oil has to be considered to balance demand and supply in the Kingdom. However, export market prices would have to be taken into account because in the last quarter of 2012, Malaysia and Indonesia, the major world producers of palm oil, decreased CPO export tax to stimulate the release of surplus palm oil. As a consequence, palm oil price tends to be lower especially in early 2013.

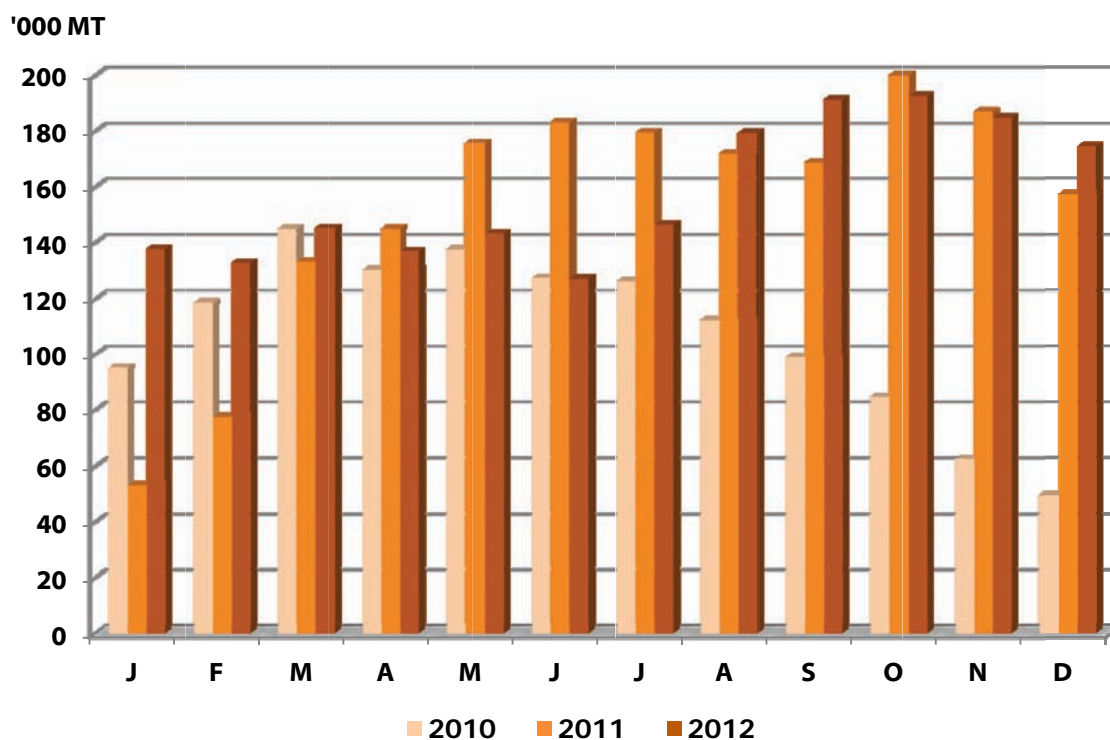
Such situation will seriously obstruct the export of Thai palm oil as long as there is pricing intervention by state government, which has only short term effect but ultimately will destroy the competitive edge of the industry.

The Development of Oil Palm Industry

Growing oil palm and producing palm oil still has business potential because of its broad utilities and needs in daily consumption, growing trend for bio-diesel production source and in addition, oil palm is a naturally high yielding crop. Therefore, growers are confident of obtaining a return from their plantations. Research and development is being undertaken for superior planting materials that gives comparatively higher oil per rai, broad adaptability to environment, early harvest age, slow vertical growth, and especially for tolerance to *Garnoderma* disease that can ruin most of the palm trees. Furthermore, there are efforts by both private and public sectors to promote sustainable growing oil palm and producing palm oil – the programmes to promote awareness of health and safety of growers, environment conservation, soil and water management, and proper use of resources. One successful programme, for instance, is the world's first awarded RSPO certificate for independent group of farmers that approved by RSPO EB on 10 October 2012. This is the joint project undertaken with GIZ and the Office of Agricultural Economics.

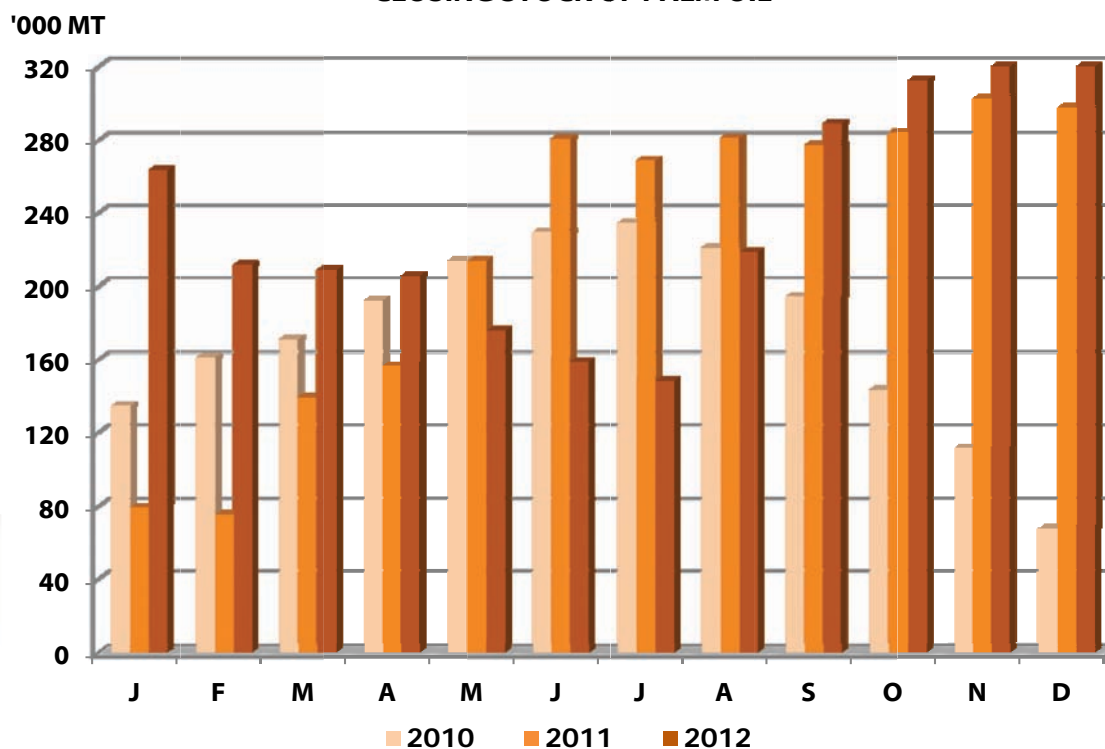
Crushing mills have been producing comparatively low pollution and less impact on global warming. Most of the waste product is converted to energy and beneficial matters. Mill produces electricity power from biogas captured from wastewater which is then sold to the public grid; whereas the remaining wastewater from the process is used for oil palm or rubber land application as a source of minerals and moisture. After being pressed for oil, the fibre and empty fruit bunch are an energy source for biomass process or use for soil mulching in oil palm planting which can cut-rate a certain amount of inorganic fertilizers, thus adding value while reducing pollutions.

PRODUCTION OF CPO



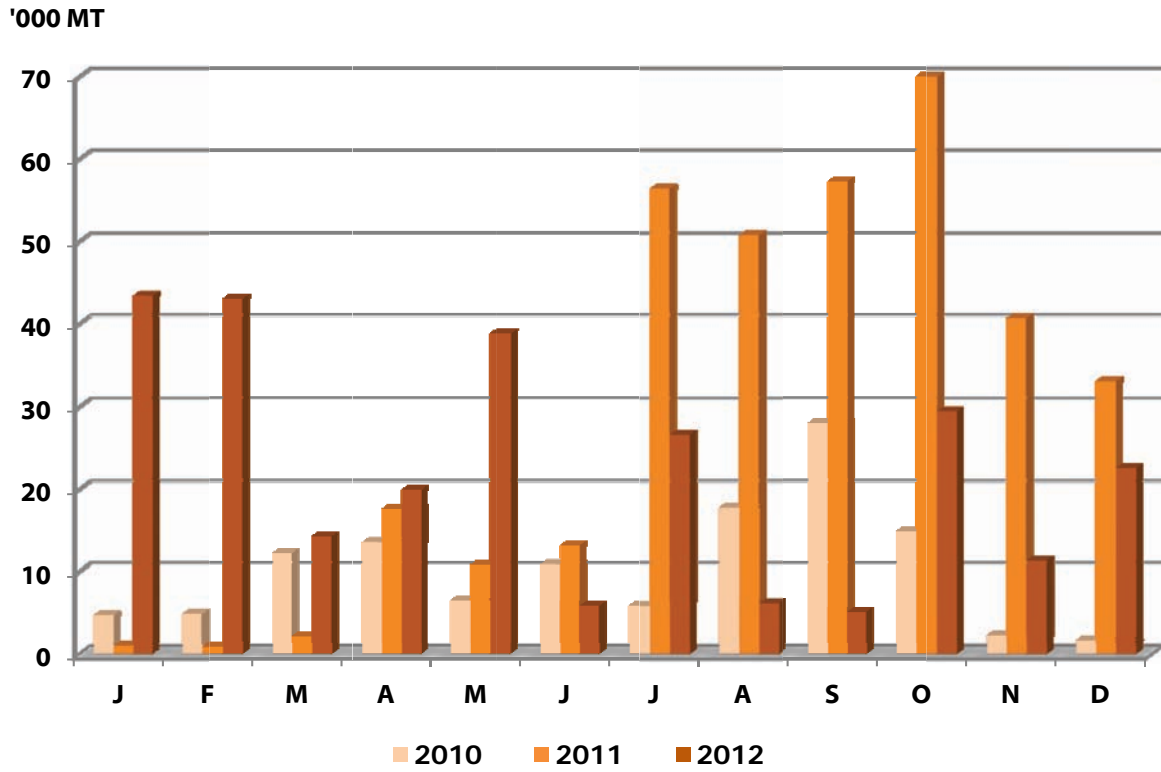
Source: Internal Trade Department

CLOSING STOCK OF PALM OIL



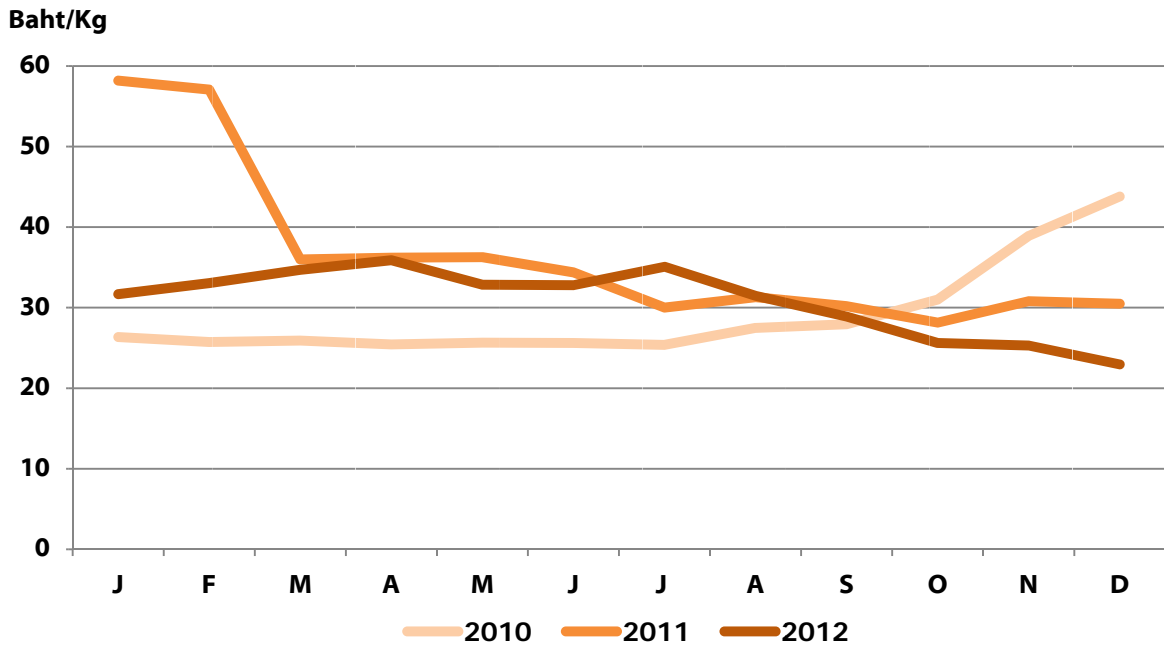
Source: Internal Trade Department

EXPORT OF PALM OIL



Source: Internal Trade Department

LOCAL DELIVERED CPO PRICE



Source: Internal Trade Department

Business Overview

1. Product Highlights

1.1 Oil

Palm oil price in 2012 was very unstable, and caused the government to intervene. In quarter 2 and 3 of the year, 40,000 MT of CPO was imported pursuant to the resolution of the Cabinet. This led to over supply of CPO in the quarter 4 as fresh fruit bunch (FFB) production increased to more than 1 million MT per month from August onwards, which presented another challenge of the Company profit optimization.

In response to the growing trend towards health and wellness, the social media would be another strategic communicating channel for supporting the current consumer behavior of the "Life on the Click". Eventually, our premium healthy oil "Naturel" also created a channel for the consumer intercommunication on "Facebook" in this year.

1.2 Margarine & shortening

To strengthen your Company's leading position in the bakery fats business, the Company launched a new product under the "Popcorn" brand. It was formulated for applying with the roasted corn for more smell, taste, and crispy of the corn.

Following good response to the cake decoration contest first held in 2011, the Company continued to conduct a cake decoration contest "Thailand Baking Master 2012", in collaboration with the Suan Dusit International Culinary School, Suan Dusit Rajabhat University and Thai Chef's Association. The Company continued to conduct its Margarine & Shortening Seminar by adding one session on the theme "how to create value added".

1.3 Packed fruits and vegetables and Beverages

Fruit sustainable and healthy sales growth in 2012 was driven by improvement in product quality and new product innovation. Sales of UFC 100% coconut water saw strong growth in the export market. In the domestic market, UFC launched the uniquely innovative HOMESOY soy milk with Job's Tears in 300ml plastic bottle and new Asian Drink range of chrysanthemum tea and Lo Han Guo in 1 litre Tetrapak.

2. Sales & Distribution

2.1 Domestic

a) Hypermarkets and Convenience Stores: A number of new players/brands entered the bottled oil business with a strategy of deep price cut. Hence, the tougher pricing competition is unavoidable. On top of that, almost retailers have their own private label which are priced at least one Baht cheaper than branded items. Shoppers are nowadays less concerned over brand image but rather attracted by lower price. Our UFC business, on the other hand, continues to grow in these channels, doubling over the past 5 years.

b) Traditional Trade: Presently the traditional trade is still an important channel in terms of volume and value which Company found the opportunities and response term of product quality and services. Your Company is improving its distribution method for meet the needs of this channel.

c) Food Services: The emerging of Asian Food trend under QSRs (Quick Service Restaurant) are beneficial for the Company in both oil and packed vegetable/beverages businesses. As the lifestyle of people change, especially those office workers are looking for more convenience/quick meals, bakery and light meal segments will be growing steadily in both kiosk and shop forms. Our food service team aims to penetrate actively into these growing channels. We also foresee the growing trend of more visitors to the country after AEC fully opened, the Company therefore will focus more on airlines & travelling industry.

2.2 Export

In 2012, there was a nationwide shortage of baby corn raw material supply. A number of farmers who experienced crop damage last year turned to grow government-supported commodities such as rice and sugarcane for better return. This, coupled with the sharp rise in minimum wage that has been in effect since 1 April 2012, drove up UFC's product cost substantially, resulting in the customers either delaying their orders or reducing the demanded quantities or both.

Nevertheless, we have managed to achieve export target value-wise. Coconut water continued to deliver the growth to UFC beverage business particularly from sales in new markets i.e. Australia and UK. This has more than compensated for the loss in volume for buyer's brands canned fruits and canned vegetables from the EU market.

MANAGEMENT DISCUSSION AND ANALYSIS

Union Frost experienced another tough year. Supply situation during the first half of the year was very difficult, especially for Baby corn raw material that is one of our core products. In addition to that, labor cost had adverse impact to our competitiveness. However, we have streamlined higher operations and sought to stringently control major cost element such as cold storage to recover our sales during the second half by securing new customers. Meanwhile, the company's recovery plan for 2013 is to focus only on profitable items especially Green soy bean pod for higher margin and cost efficiency.

3. Lampang Organic Farm

The experiment to cultivate organic crops at the Lampang farm was discontinued towards the end of 2012. This decision was taken following external expert advice that the land terrain and soil conditions were unsuitable for organic farming. Company have since started to plant and cultivate non-organic crops like Sweet Corn and Green Soya Bean.

Operations Overview

1) The increase in production capacity and the improvement of productivity

- The Bangpoo refinery has participated with the Department of Alternative Energy Development and Efficiency (DEDE) in the “DEDE-Subsidy”, the objective of which is to reduce energy usage.
- The Trang crushing mill and UPOIC’s mill in Krabi participated in factory visits for the exchange of information for increasing production efficiency, held by the Industrial Cluster Development and Department of Industrial Promotion (DIP) under the Benchmarking Project.



- UFC Lamphang participated in knowledge sharing activities on productivity with the Northern Productivity Improvement Network (NPIN) and won the award for excellent development company.
- UFC Lamphang participated in the production capacity increment project in company-level supply chain of food processing industry, applying the concept of Continuous Process Improvement with Institute for Small and Medium Enterprises Development (ISMED).

MANAGEMENT DISCUSSION AND ANALYSIS

- UFC Nakorn Pathom successfully separated the UHT production line from can production line in order to double the production capacity. Additionally, newly installed machines increased the capacity of UHT coconut water production from 7 MT/hour to 10 MT/hour.



- UFC Nakorn Pathom installed new Wrap-around Case Packer to replace the manual process and increase production efficiency.



MANAGEMENT DISCUSSION AND ANALYSIS

- UFC Nakorn Pathom installed Drive-in Rack and Selective Rack to increase storage capacity by 47%.



- UFC Nakorn Pathom implemented cost saving programmes as follow:
 - Dried Rambutan Seeds Project with fuel cost savings of about 2 million Baht annually



MANAGEMENT DISCUSSION AND ANALYSIS

- Waste water recycle project using Ultra Filter and Reverse Osmosis with cost savings of approximately up to 850,000 Baht per year



- UFC Nakorn Pathom participated in Entrepreneurs Development for Innovative Productivity Program (EDIPP) with Department of Industry Promotion (DIP) and consulting team from King Mongkut's University of Technology Thonburi. Participation in this programme led to improve the production efficiency and increase sales opportunity by 300 million Baht/year.



MANAGEMENT DISCUSSION AND ANALYSIS

- UFC Nakorn Pathom participated in logistics improvement programme in the Group of Food Industry in Central Region held by Department of Industry Promotion, Ministry of Industry of Thailand. As a result, the Company saved approximately 400,000 Baht per year logistics cost and increased the efficiency of product delivery up to 93.24% and improved customer satisfaction.



2) Awards and Certifications relating to social and environmental care

- The Bangpoo refinery applied to participate in the Project of Supply Chain Security Standard Promotion for Security from terrorist, disaster or burglary, by the Department of Primary Industries and Mines (DPIM) and Management System Certification Institute (Thailand) (MASCI) to systematise the security management of supply chain according to ISO 28000.



MANAGEMENT DISCUSSION AND ANALYSIS

- The Bangpoo refinery applied to be certified for Halal Standard THS 24000:2009 (Thai Halal Standard) with the Halal Standard Institute of Thailand (HIT).
- The crushing mill in Trang was certified as green factory in level 3 of Green System in the Green Industry Project of the Ministry of Industry.
- The Bangpoo refinery and Trang crushing mill have been certified the Mass Balance (MB) Roundtable on Sustainable Palm Oil (RSPO) Supply Chain on 11 June 2012.



- The crushing mill in Trang and UPOIC crushing mill in Krabi have been registered for the Clean Development Mechanism (CDM) Project on 8 February 2012.
- UFC Lampang and Union Frost Co., Ltd. were awarded the honour of workplace safety in provincial level.

Environment and Corporate Social Responsibility Overview

1) Participation in Children Day Activity

On 13 January 2012, Bangpoo Refinery staff brought “Pop Corn” product to join the children day activity at nearby Piboon Prachabarn Secondary School, Samut Prakarn province. This was well received by students and their parents.



2) Certification on Supply Chain Safety System Activity (ISO 28000)

On 17 September 2012, Bangpoo Refinery was bestowed the certification in the Project of Supply Chain Security Standard Promotion for Security from terrorist, disaster or burglary according to ISO 28000 by the Department of Primary Industries and Mines (DPIM), a safety standard for sustainable business operation through the whole supply chain.



MANAGEMENT DISCUSSION AND ANALYSIS

3) Director General of Department of Alternative Energy Development and Efficiency and staff Visited the Biogas Project

On 21 February 2012, we were honoured to receive a visit from the Director General of Department of Alternative Energy Development and Efficiency in Trang together with the staff to visit the Biogas Project in our crushing mill in Trang.



4) Supply of oil palm seedlings under school oil palm planting project

On 28 August 2012, Trang crushing mill's representative signed the MOU of 2012 Oil Palm Planting in School Project. Under this memorandum, your Company provided oil palm seedlings to the management teams of 3 schools namely Baan-Huay-Tor School, Bann-Toong-Khee-Lek School, and Baan-Sai-Ton-Wa School in Trang province. This project has been established since 2011 in line the Company's policy to support academy and local community to earn income from oil palm output; and this earning will be earmarked for an educational fund in the academy in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

5) Activities to build relationship with local community

The Lam Soon (Thailand) Group has been setting up the following activities to enhance an image and built relationship with local community:

- Donated company products to local people during New Year festive season
- Granted scholarships and company products to students in the occasion of Children's day
- Donated computer equipment to use as instructional tools in local schools
- Donated company products to local Red Cross Society
- Involved in local community development activities on Father's day
- Regular meetings by UFC Lampong and Union Frost Lampong with surrounding local community to cooperate for directive development for a better community living.
- UFC Lampong and Union Frost Lampong joined with Khelang Nakhon Town Municipality to set up health check point shelter and health consultant in communities.



6) Participated in “Blue Flag Campaign to Ease the Cost of Living” in Trang

The Crushing Mill in Trang participated in the Blue flag programme, organised by the Trang Department of Internal Trade, to ease the cost of living to the lower income earner, the poor, and the farmers by selling essential items at a cheap price.



7) Promotion and conservation of Thai traditions and cultures, and setting up sport competition for young persons in the communities

The Lam Soon (Thailand) Group organised various internal activities and participated in activities with the local community to promote and conserve Thai traditions and cultures, and to build a good relation with the community. These included ceremony of water-pouring to the senior employee on Songkran Festival, various religious ceremonies, and sport activities with Kuan Kun Sub-district Municipality to promote wholesome leisure time and prevent drug abuse.



8) Blood donation scheme

The crushing mill in Trang, UPOIC's crushing mill in Krabi and plantations participated with hospitals and the Thai Red Cross Society to donate blood on various occasions.



9) Donation hamper and products to Priest Hospital

On 22 January 2013 Lam Soon (Thailand) PCL donated hamper full of company healthy product i.e. "Naturel" Camellia Tea Oil, Rice Bran Oil, "Home Soy" Soy Milk and "UFC" Gingko to Priest Hospital, Bangkok, in the New Year occasion for cooking for monk patients in the hospital.



Financial Overview

Financial performance analysis and explanation

1. Operating results

Sales value decreased by 15.23% due to the decrease in CPO price and the corresponding decrease average selling price, for reasons explained in detail earlier (see PALM OIL INDUSTRY AND COMPETITIVENESS : **Market Condition and Palm Oil Price**). Furthermore, the sales volume decreased by 5.09% when compared to 2011 because the severe flooding at the end of 2011 drove up the sales volume during that time since several refineries were shut down. Thanks to the average cost of CPO to the Company decreasing greater than the average selling price, gross profit was up by 90.55 million Baht and net profit of the Company itself increased by 190.90 million Baht or 142% in 2012.

Its subsidiary UPOIC has been enjoying the FFB output increase from own estates and concession land by 7.4% compared to 2011 driven by a 32.2% increase of output from its own planted area while the concession land generated a 12.8% decrease in output. This was because of fully mature palms from own planted area whereas old palm trees from the concession area produced less output and required replanting. UPOIC now has been submitting the request to renew the concession with the relevant authorities.

With increased purchase of outgrower crop by 25.7% combining with a 7.4% increase of crop output from its own estate, total FFB processed increased by 15.6% from 2011.

As explained above, the net profit of the Group on a consolidated basis increased from 168.18 million Baht to 277.78 million Baht, or 65.17% from 2011. Net profit margin in 2012 was 3.59% (2011 : 1.87%).

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

Revenues

Revenue from sales : Net Sales under LST and its subsidiaries decreased by 1,272.85 million Baht or 14.33%. Sales of LST products decreased by 1,190.46 million Baht or 17.80%, deriving from 5.63% decrease in sales volume and 12.16% decrease in the average selling price due to the decrease of CPO cost, the major raw material.

At its subsidiaries, net sales decreased by 82.39 million Baht or 3.75% due to CPO sales decreasing by 133.39 million Baht, sales of canned fruit & vegetable and fruit juice increasing by 110.12 million, and sales of frozen fruit & vegetable decreasing by 59.11 million Baht.

Subsidy from the Department of Internal Trade : In 2011 the Company received the subsidy from the Department of Internal Trade amounting to 29.09 million Baht as a result of the palm oil shortage crisis which occurred at the beginning of 2011, and drove up the CPO price. In the meantime, the Government retained the selling price of bottled palm oil and supported some subsidy. In 2012, there was no such subsidiary due to the sufficient supply of palm oil for consumption.

Other revenues : Revenue other than those generated by normal operation was 128 million Baht or 1.65% of total revenues, an increase of 53.09 million Baht or 70.88%, most of which came from the compensation received from an overseas vendor of machinery and the selling of by-products.

Cost of sales and expenses

Cost of sales : In 2012 the Company and its subsidiaries recorded cost of sales at 84.23% of total sales (2011 : 86.09%). Cost of sales of the Company itself decreased from 94.95% in 2011 to 92.62% in 2012 because of lower CPO price explained above.

MANAGEMENT DISCUSSION AND ANALYSIS

Plantation subsidiary UPOIC recorded cost of sales at 71.3% of total sales (2011 : 56.3%). This was because of the 7% increase in the average cost of FFB driven by the increase in minimum wage, fertilizer expense, and maintenance expenses on machinery, which increased the CPO production cost by 16% when compared with 2012

Selling expenses : In 2012 the Company and its subsidiaries recorded selling expenses at 556.70 million Baht, a decrease of 35.37 million Baht (2011 : 592.07 million Baht). Of the amount, 4.83 million Baht was increased from the Company itself incurred by A&P expense and 40.20 million Baht was decreased by subsidiaries due to the reversal of allowance for obsolete stock, and the decrease in transportation and warehouse rental expenses

Administrative expenses : Administrative expenses in 2012 was 212.70 million Baht (2011 : 250.21 million Baht), decreasing by 37.51 million Baht. Of the amount, 7.95 million Baht was increased from the Company itself incurred by salary, bonus and employee benefit and 45.46 million Baht was decreased from the subsidiary incurred by legal fees and tax penalty.

Finance cost : Finance cost in 2012 was recorded at 74.10 million Baht (2011 : 83.56 million Baht), a decrease of 9.46 million Baht or 11.32%. Of the amount, 16.09 million Baht was decreased by the Company because it reduced borrowings to finance working capital for trade A/R and inventory in line with lower cost of raw material.

Profits

Gross profit (GP) : GP margin increased to 15.77% in 2012 (2011 : 13.91%). For the Company itself, GP increased by 90.55 million Baht because of the decreased raw material cost. Gross profit of its subsidiaries decreased due to higher average FFB cost and lower selling price in average. The GP of the Company and its subsidiaries decreased by 36.04 million Baht or 2.91%.

Operating profit : S&A expenses of the Company and its subsidiary decreased by 72.88 million Baht and other income increased by 23.96 million Baht, offsetting with a decrease of 36.04 million Baht in GP, resulted in operating profit in 2012 increasing by 60.80 million Baht.

Net profit : The Company and its subsidiary recorded higher operating profit and lower financial cost. As a result, the net profit attributable to equity holders of the Company increased by 109.60 million Baht or 65.17%, with net profit margin of 3.59% in 2012 (2011 : 1.87%).

Dividend payout ratio : In 2012, LST itself paid dividend for the operational year 2011 at the rate of 0.08 Baht per share representing a payout ratio of 48.79% of net profit (2011 : 0.15 Baht per share, representing a payout ratio of 55.16% of net profit in 2010). It has been the Company's policy to pay dividends to shareholders not less than 40% of net earnings after tax. The Company did not pay any interim dividend in 2012.

In 2012 its subsidiary UPOIC paid dividend for the last quarter of the 2011 financial year at the rate of 0.50 Baht per share. Combining with the 0.60 Baht per share interim dividend of 2011, the total dividend paid for the 2011 financial year amounted to 1.10 Baht per share, representing a payout ratio of 91.8% of its net profit. In addition, during 2012, its subsidiary paid an interim dividend at the rate of 0.60 Baht per share. The subsidiary has a policy of paying not less than 50% of net profit after tax as dividend.

Book value (weighted average number of ordinary shares) : As at December 31, 2012, the book value per share of LST was 2.95 Baht (weighted average number of shares at 820 million shares), an increase compared to 2.63 Baht in 2011 (weighted average number of shares at 820 million shares).

2. Financial status

Assets : At the end of 2012, the total asset value of the Company and its subsidiaries was 5,181.56 million Baht, a decrease of 489.46 million Baht or 8.63% compared with 2011. The major reasons are as follows:-

- **Cash and cash equivalents** was 259.27 million Baht at the end of 2012, decreasing 249.08 million Baht or 49% from 2011. Cash of the Company itself decreased by 165.26 million Baht

MANAGEMENT DISCUSSION AND ANALYSIS

due to the improvement in cash management, while cash of its subsidiaries decreased by 83.82 million Baht due to the operating result.

- **Trade and other receivables** : Trade A/R – unrelated party at 895.26 million Baht was recorded by the Company and its subsidiaries as at the end of 2012 (after an allowance for doubtful debt), accounting for 17.28% of total assets (2011 : 1,061.37 million Baht, accounting for 18.72% of total assets). Such A/R was mainly attributable to trade A/R of the Company, which was not yet due. Such decrease was because of lower raw material price followed by a downward adjustment of selling price. However, the average collection period was at 48 days in 2012 (2011 : 41 days).

In addition, trade A/R - related parties of the Company and subsidiary which was not due yet decreased by 2.32 million Baht.

The Company and its subsidiaries recorded A/R aging more than 3 months and cheques returned at 4.45% of trade A/R - unrelated party. In the meantime, the Company already set the allowance for doubtful accounts at 82.85% of the value of A/R aging more than 3 months and returned cheques.

- **Inventory** was worth 1,566.56 million Baht as at the end of 2012, or 30.23% of total assets, decreasing by 32.80 million Baht (2011 : 1,599.36 million Baht, or 28.20% of total assets). At the Company itself, there was a decrease of 256.08 million Baht caused by lower raw material cost and inventory, and an increase at a subsidiary, of 223.28 million Baht.

- **Other current assets** in the Company and its subsidiary as at the end of 2012 increased by 0.49 million Baht. Such increase was derived from subsidiary amounting to 3.41 million Baht from advance payment.

- **Investment properties** decreased by 0.75 million Baht as at the end of 2012 because its subsidiary set the allowance for diminution in value on non-operating building.

- **Property, plant and equipment** : As at the end of 2012, the net value of fixed assets decreased by 10.72 million Baht or 0.57% from 2011. There was a decrease of 58.97 million Baht attributable to the Company due to the annual depreciation, but an increase of 48.26 million Baht due to the investment in building, machinery and vehicles by subsidiary.

- **Cost of forest land rights and cost of palm plantation** decreased by 26.14 million Baht due to a subsidiary recording the annual amortisation from cost of palm plantation.

- **Intangible assets** : As at the end of 2012 decreased by 1.76 million Baht attributed to the amortisation of computer software during the period.

- **Other non-current assets** : As at the end of 2012 decreased by 0.59 million Baht owing to the decrease in deposit on investment cost of expansion incurred at its subsidiary.

3. Source of Fund

Structure of Fund : Under the consolidated financial statements, source of fund comprised 2,713.61 million Baht from shareholders' equity and 2,467.95 million Baht of liabilities, in the ratio of 52.37 : 47.63 respectively. Of the said amount of liabilities, bank loans amounted to 1,773.99 million Baht or 71.88% of total liabilities, comprising short-term loan at 1,756.85 million Baht (71.19%) and long-term loan at 17.14 million Baht (0.69%). The ratio of debt to equity was 0.91 times at the end of 2012. Further details are set out below:-

- **Shareholders' equity** : increased by 205.43 million Baht or 8.19% at the end of 2012 because net profit of the Group increased.

- **Liabilities** : At the end of 2012, the Company and its subsidiaries had :-

- (a) short-term bank loan of 1,756.85 million Baht, of which:-
- i. 1,088.97 million Baht was extended to a subsidiary, increasing by 303.96 million Baht or 38.72%.
 - ii. 600 million Baht was extended to the Company, which decreased by 815 million Baht or 57.60%.

- iii. 40 million Baht represents the portion of long-term loan extended to the Company due within one year.
 - iv. 27.88 million Baht represents the portion of long-term loan extended to subsidiary due within one year, secured by its own land, building and machinery as collateral, subject to certain covenants including restriction on the subsidiary's dividend payment. This loan, which is denominated in Thai Baht, is due in 2014. Monthly loan installment includes repayment of both principal and interest expense at a fixed rate.
- (b) long-term liabilities amounted to 17.14 million Baht, of which:-
- i. 15 million Baht represents the long-term loan net of current portion extended to the Company. Under a long-term loan agreement for 175 million Baht entered into by the Company with a local bank, the Company fully drew down the facility. The loan is repayable every 3 months in 17 installments, after six months from the first date on which a disbursement of the loan is made, and bears interest at the rate of THBFIX plus applicable margin within the applicable period agreed with the bank.
 - ii. 2.14 million Baht represents the long-term loan net of current portion extended to a subsidiary described in (a) (iv), above.

Financial liquidity

In 2012, the Company and its subsidiaries had less financial liquidity than 2011 as cash and cash equivalents decreased by 249.08 million Baht to 259.27 million Baht in 2012 (2011 : 508.34 million Baht). The main factors for changes in cash flow from operating, investing, and financing activities were as follows:-

Cash flows from operating activities : In 2012, the Company and its subsidiaries had net cash received from operating activities at 730.45 million Baht, while recording net cash used in operating activities at 81.25 million Baht in 2011. Such was contributed by a decrease in trade A/R, inventory, and trade A/P by 793.24 million Baht caused by lower CPO price and profit before tax increasing by 70.26 million Baht.

Cash flows from investing activities : In 2012, the Company and its subsidiaries recorded net cash used in investing activities at 226.53 million Baht (2011 : 207.65 million Baht). This was because of the investment in plant, machinery, and equipments.

Cash flows from financing activities : In 2012, the Company and its subsidiaries recorded net cash used in financing activities at 753 million Baht, while recording net cash received from financing activities at 436.06 million Baht in 2011. The main reason was lower raw material price commanding less working capital while the Company repaid some short-term loan to financial institutes.

Financial ratios

Current ratio was at 1.18 times (2011 : 1.08 times) due to the improvement in cash management and lower palm oil price as earlier explained.

Quick ratio decreased to 0.49 times (2011 : 0.53 times) due to a decrease in cash and cash equivalents and trade A/R.

Return on total assets increased to 6.90% in 2012 (2011 : 5.19%) as net profit for the year increased by 37.59%, whereas total assets decreased by 8.63% resulted from a decrease of raw material price reducing trade A/R and inventory.

Return on total equity increased to 14.35% in 2012 (2011 : 11.04%) as net profit for the year increased.

Total debt to equity ratio decreased to 0.91 times in 2012 (2011 : 1.26 times) due to lower short-term debt driven by low cost of raw material.

Accounts receivable turnover was 7.48 times in 2012 (2011 : 8.90 times). The average collection period was 48 days in 2012 compared with 41 days in 2011. This was because trade A/R and other receivables decreased by 15.73% while sales value decreased from both the sales volume and the average selling price by 7.48%.

Inventory turnover of finished goods decreased to 9.11 times in 2012 (2011 : 12.26 times), and inventory turnover period increased to 40 days (2011 : 30 days). This was because cost of sales decreased greater than the inventory

Accounts payable turnover was 20.99 times in 2012 (2011 : 22.07 times); average payment period was at 18 days (2011 : 17 days). This was because average trade accounts payable and other payables decreased by 27.61%.

4. Capital Expenditure

Capital expenditure of the Group was incurred mostly for improvement of mill efficiency and replanting programme of a subsidiary. This replanting programme, which commenced in 2001, has been 92.3% completed. Further replanting by the subsidiary in concession land is subject to further extension of such concession by the Government.

Factors which might affect financial performance in the future

Because the major raw material of the Group's production comes from agricultural product, future financial performance of the Group is to a large extent dependent on uncontrollable factors such as weather condition, rainfall level, and the quantity of FFB harvested in each season. For the Company in particular, the significant factors which affect future operating results include CPO quantity and CPO price.

Apart from uncontrollable natural factors, Government policy is playing an increasingly important role in the palm oil industry, in particular during these 2 years. Since the early 2012, the government adds FFB to the price control list and determined the minimum price at 4 Baht/Kg to support farmers from the price slumps arising from surplus output. At the same time, palm olein, especially packed oil below 5 litres, is also subject to price control by the Internal Trade Department. Furthermore, the Government from time to time allows palm oil importation when there is the shortage in the Kingdom. Those will all have significant impact on your Company's financial performance.

Remuneration of statutory auditor

1) Audit Fee

The Company, its subsidiaries, and the related companies nominated the same office of the statutory auditor and paid audit fee as follows:-

Audit Fee (Baht)	2012	2013
for the Company	1,480,000	1,510,000
for 2 subsidiaries	1,920,000	1,920,000
for 5 related companies	715,000	745,000
Total	4,115,000	4,175,000

2) Non-Audit Fee

The Company, its subsidiaries, and the related company paid a fee to statutory auditor for verifying BOI project including imported machineries and corporate income tax submission.

Non-Audit Fee (for BOI project) (Baht)	2012	2013
for the Company	420,000	420,000
for 2 subsidiaries	340,000	340,000
for 1 related company	120,000	220,000
Total	880,000	980,000

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 14 May 2012, the top ten shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon Holding Co., Ltd. ⁽ⁱ⁾	42.11
(2) Hap Seng Consolidated Berhad ⁽ⁱⁱ⁾	20.00
(3) CIMB Securities (Singapore) Pte Ltd	10.99
(4) Lam Soon Cannery Pte Ltd. ⁽ⁱⁱⁱ⁾	7.48
(5) Mr. Suwit Laohapolwattana	3.31
(6) CIMB Securities Limited	1.62
(7) Mr. Somchai Chongsawadchai	1.30
(8) Chase Nominees Limited 1	1.27
(9) Mrs. Pennipa Duangsittisombat	0.73
(10) HSBC Private Bank (Suisse) SA, Singapore Branch	0.70

Source : Thailand Securities Depository Co., Ltd.

Note :

- (i) Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2012, shareholders holding 10% or more of Lam Soon Holding Co., Ltd. are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Bangkok Edible Oil Co., Ltd. (Major shareholders include Galatea Enterprise 75.324% whose shareholders are as follows : Mr. Whang Tar Liang and his wife 54.39%, Mr. Whang Shang Ying 31.58%, Ms. Whang Yee Ling 14.03%.)	51.00
(2) Mr. Whang Tar Liang	24.50
(3) Mr. Whang Shang Ying (Neither Mr. Whang Tar Liang nor Mr. Whang Shang Ying own any shares in LST)	24.50

- (ii) Hap Seng Consolidated Berhad is an investment holding company and carries out marketing and trading activities for certain of its subsidiaries, which has been listed on the Stock Exchange in Malaysia namely Bursa Malaysia Securities Berhad. The major shareholder of Hap Seng Consolidated Berhad is Gek Poh (Holdings) Sdn Bhd, whose aggregate shareholdings is 60.62% comprising direct and indirect shareholdings of 55.07% and 5.55% respectively.
- (iii) Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2012, its shareholders are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Mr. Whang Shang Ying	38.96
(2) Ms. Whang Yee Ling	27.75
(3) Mr. Whang Tar Liang	22.41
(4) Ms. Chen Mu Hsien	10.88

Board of Directors and Management Committee

1. The Composition of Board of Directors and Sub-committees

Board of Directors

(1) Mr. Whang Tar Liang	Chairman of Board of Directors and Executive Director
(2) Mr. Somchai Chongsawadchai	Vice-Chairman of Board of Directors and Managing Director
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director and Chairman of Audit Committee
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director and Member of Audit Committee
(5) Mr. Banchong Chittchang	Independent Director and Member of Audit Committee
(6) Datuk Simon Shim Kong Yip	Independent Director
(7) Mr. Whang Shang Ying	Executive Director
(8) Ms. Anchalee Suebchantasiri	Executive Director, Company Secretary and Finance Manager
(9) Mr. Ampol Simarojana	Executive Director and Factory Manager

Audit Committee

(1) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director and Chairman of Audit Committee
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director and Member of Audit Committee
(3) Mr. Banchong Chittchang	Independent Director and Member of Audit Committee
(4) Ms. Anchalee Suebchantasiri	Secretary to Audit Committee

Remuneration Committee

(1) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director and Chairman of Remuneration Committee
(2) Mr. Banchong Chittchang	Independent Director
(3) Mr. Whang Shang Ying	Executive Director

Nomination Committee

(1) Datuk Simon Shim Kong Yip	Independent Director and Chairman of Nomination Committee
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director
(3) Mr. Banchong Chittchang	Independent Director
(4) Mr. Whang Shang Ying	Executive Director

The details of duties and responsibilities of the Board and Sub-committees were presented in item 4.2 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

The following members of the Audit Committee have experience in reviewing financial statements.

(1) Assoc. Prof. Preecha Jarungidanan, Ph.D.

Past experience in reviewing financial statements

- Manager of Research and Planning Department, The Siam Commercial Bank Plc. (1992-1995)
- Director and Senior Executive Vice President, Chaopraya Finance and Securities Co., Ltd. (1995-1997)
- Director, Government Savings Bank (2005-2007)
- Director and member of Audit Committee, Small Business Credit Guarantee Corporation (SBCG) (2004-2008)

Present Experience in reviewing financial statements

- Director and member of Audit Committee, Kim Eng Securities (Thailand) Plc.
- Director and member of Audit Committee, Stars Microelectronics (Thailand) Plc.
- Director and member of Audit Committee, Thai-German Products Plc.

(2) Mr. Banchong Chittchang

- Was the President of Malee Sampran plc, from 1995 – 2004. Had led the management team to successfully rehabilitate the company under the strict monitoring by the Stock Exchange of Thailand, from 1996 - 1998
- Fellow Member, with Diploma from Thai Institute of Directors, Bangkok (IOD DCP 7/2001); and Chartered Director (IOD Chartered Director Class 1/2007) registered with Thai IOD.

SHAREHOLDERS AND MANAGEMENT

- Has been a facilitator of the Strategic Management courses for IOD Director Certification Programmes (IOD DCP) since 2005 until present

2. Criteria on recruiting Directors and Management

The Nomination Committee is to recruit the suitable candidates to replace directors whose terms are expired in April 2013 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

The qualifications of Independent Directors were presented in item 4.1.6 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

In accordance with the Company's Articles of Association, the Company has not determined the number of directors appointed by each group of major shareholders. Directors are elected based on majority voting of attending shareholders.

3. The Number of Board Meetings and the Attendance of Directors

In 2012, the Board of Directors held 5 meetings (4 regular meetings and 1 extra meeting), with attendance shown of each member as below:-

Name	Attendance / Total Meetings
(1) Mr. Whang Tar Liang	4/5
(2) Mr. Somchai Chongsawadchai	4/5
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	4/5
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	5/5
(5) Mr. Banchong Chittchang	5/5
(6) Datuk Simon Shim Kong Yip	3/5
(7) Mr. Whang Shang Ying	4/5
(8) Mr. Ampol Simarojana	5/5
(9) Ms. Anchalee Suebchantasiri	5/5

4. Names and Position of the Management

Name	Position
(1) Mr. Whang Tar Liang	Executive Director
(2) Mr. Whang Shang Ying	Executive Director
(3) Mr. Somchai Chongsawadchai	Managing Director
(4) Ms. Anchalee Suebchantasiri	Executive Director and Finance Manager
(5) Mr. Ampol Simarojana	Executive Director and Factory Manager
(6) Mrs. Roongnapa Phanomchoeng	Industrial Sales Manager
(7) Mr. Komkris Siriwongpairat	Sales Manager – Modern Trade / Food Solution
(8) Mr. Sirichai Navasettavorn	Sales Manager – Traditional Trade

5. Details of Executive Board and Company Executives

(1) Mr. Whang Tar Liang

Chairman of the Board and Executive Director

Age : 86 years
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 1 company
 - Director : 0 company
 Family relation with management : Mr. Whang Shang Ying's father
 Education : Bachelor of Science Degree,
 University of California at Berkeley, U.S.A.
 Director Training Programme : None

Other Experience:

- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Group Chairman and Managing Director of The Lam Soon Group for Singapore, Malaysia, Thailand and Vietnam
- Chairman, Jurong Cement Limited, a public listed company in Singapore
- Chairman/Deputy Chairman, Singapore Manufacturers' Association
- Deputy Chairman, The Public Service Commission of Singapore

(2) Mr. Somchai Chongsawadchai

Vice-Chairman of the Board and Managing Director

Age : 55 years
 % of share holding : 1.30
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Family relation with management : None
 Education : Bachelor's degree in Accountancy,
 Chulalongkorn University
 Director Training Programme : Certificate of Completion DCP 36/2003 from Thai Institute
 of Directors (IOD)

Other Experience:

- Vice-Chairman of the Board and Managing Director, United Palm Oil Industry Plc.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Director, Phansrivivat Co., Ltd.
- Director, Phansri Co., Ltd.
- Director, Prachak Vivat Co., Ltd.
- Director, Siam Elite Palm Co., Ltd.
- Director and General Manager, Lam Soon (Thailand) Plc.
- President, Palm Oil Refinery Association
- Director, Reckitt and Coleman (Thailand) Co.,Ltd.

(3) Art-ong Jumsai Na Ayudhya, Ph.D.

Independent Director and Chairman of Audit Committee

Age : 72 years
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Family relation with management : None

Note : *present experience* *past experience*

SHAREHOLDERS AND MANAGEMENT

Education : Ph.D. Imperial College of Science and Technology, London University, U.K.
 Director Training Programme : Certificate of Completion DCP 146/2011 and ACP 38/2012 from Thai Institute of Directors (IOD)

Other Experience:

- Chief Administrator of Sathya Sai School, Lopburi province
- Independent Director and member of Audit Committee of SPCG Public Company Limited
- Senior Lecturer of The Faculty of Engineering, Chulalongkorn University
- Member of Parliament (Elected three times)
- Senator, Bangkok
- Secretary to the Foreign Minister
- Expert in the National Research Council on rockets for use in the Artificial Rain Making Project

(4) **Assoc. Prof. Preecha Jarungidanan, Ph.D.**

Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, and Member of Nomination Committee

Age : 66 years
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 3 companies
 Family relation with management : None
 Education : Ph.D. (Economics : Monetary Theory) University of Missouri, Columbia, U.S.A.
 Director Training Programme : Certificate of Completion DAP 9/2004, DCP 89/2007, ACP 24/2008 from Thai Institute of Directors (IOD)

Other Experience:

- Independent Director and Member of Audit Committee, Kim Eng Securities (Thailand) Plc.
- Director and Member of Audit Committee, Stars Microelectronics (Thailand) Plc.
- Independent Director and Member of Audit Committee, Thai-German Products Plc.
- Director and Member of Audit Committee, Small Business Credit Guarantee Corporation (SBCG)
- Director General, National Institute of Development Administration (NIDA)
- Director, Government Savings Bank
- Manager of Research and Planning Department, The Siam Commercial Bank Plc.
- Vice-President for Planning Affairs, National Institute of Development Administration (NIDA)
- Dean of The Faculty of Business Administration, National Institute of Development Administration (NIDA)
- Director and Senior Executive Vice President, Chaopraya Finance and Securities Co., Ltd.

(5) **Mr. Banchong Chittchang**

Independent Director, Member of Audit Committee, Member of Remuneration Committee, and Member of Nomination Committee

Age : 64 years
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Family relation with management : None
 Education : M.S. Mechanical Engineering Degree, University of Akron, U.S.A.
 Director Training Programme : Certificate of Completion from Thai Institute of Directors (IOD) DCP 7/2001 (Fellow Member), CDC 1/2007, DCP Refresher 5/2007, RCC 7/2008

Note : ■ *present experience* □ *past experience*

SHAREHOLDERS AND MANAGEMENT

Other Experience:

- Independent Director, Thai Optical Group Plc.
- Advisor of the Food Processing Industry Club, Federation of Thai Industries
- Chartered Director registered with Thai Institute of Directors
- Director, Thai Investors Association
- Councilor of Thailand Management Association
- Managing Director, Malee Sampran Plc.

(6) Datuk Simon Shim Kong Yip

Independent Director and Chairman of Nomination Committee

Age	:	56 years
% of share holding	:	None
The number of directorships in listed companies	:	
- Chairman	:	0 company
- Director	:	1 company
Family relation with management	:	None
Education	:	Master in Law, University College London, London University, United Kingdom
Director Training Programme	:	Certificate of Completion DAP 74/2008 from Thai Institute of Directors (IOD)

Other Experience:

- Non-Independent Non-Executive Director, Malaysian Mosaics Berhad
- Non-Independent Non-Executive Director / a member of the Nominating and Remuneration Committee, Hap Seng Consolidated Berhad, a company listed on the Bursa Malaysia
- Non-Executive Director, Paos Holdings Berhad, a company listed on the Bursa Malaysia
- Managing Partner, Messrs Shim Pang & Co.
- Barrister-at-law of the Lincoln's Inn, London
- Fellow of The Chartered Institute of Arbitrators, London and Malaysia
- Advocate and Solicitor of the High Court in Sabah and Sarawak
- Justice of the Peace in Malaysia
- Non-Independent Non-Executive Director, Hap Seng Plantations Holdings Berhad, a company listed on the Bursa Malaysia
- Member of the Malaysian Corporate Law Reform Committee and its working group on Corporate Governance, and Shareholders' rights

(7) Mr. Whang Shang Ying

Executive Director, Member of Remuneration Committee, and Member of Nomination Committee

Age	:	52 years
% of share holding	:	None
The number of directorships in listed companies	:	
- Chairman	:	0 company
- Director	:	2 companies
Family relation with management	:	Mr. Whang Tar Liang's son
Education	:	Bachelor of Arts (Hons.) in Law, Oxford University, United Kingdom
Director Training Programme	:	None

Other Experience:

- Director, United Palm Oil Industry Plc.
- Chairman and Executive Director, Universal Food Plc.
- Chairman, Union Frost Co., Ltd.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Executive Chairman, Lam Soon (M) Berhad
- Executive Director, Lam Soon Singapore Pte Ltd.
- Director, Jurong Cement Limited, a public listed company in Singapore

Note : ■ *present experience* □ *past experience*

SHAREHOLDERS AND MANAGEMENT

(8) Miss Anchalee Suebchantasiri

Executive Director and Finance Manager

Age : 54 years
% of share holding : 0.001%
The number of directorships in listed companies
- Chairman : 0 company
- Director : 2 companies
Family relation with management : None
Education : Bachelor's degree in Accountancy, Thammasat University
Director Training Programme : Certificate of Completion DCP 36/2003 and CSP 26/2008 from Thai Institute of Directors (IOD)

Other Experience:

- Company Secretary, Lam Soon (Thailand) Plc.
- Executive Director, United Palm Oil Industry Plc.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Director, Phansrivivat Co., Ltd.
- Director, Phansri Co., Ltd.
- Director, Prachak Vivat Co., Ltd.
- Director, Siam Elite Palm Co., Ltd.

(9) Mr. Ampol Simarojana

Executive Director and Factory Manager

Age : 56 years
% of share holding : None
The number of directorships in listed companies
- Chairman : 0 company
- Director : 1 company
Family relation with management : None
Education : Bachelor of Science (Chemical Engineering), Chulalongkorn University
Director Training Programme : Certificate of Completion DCP 37/2003 from Thai Institute of Directors (IOD)

Other Experience:

- Assistant Managing Director, United Palm Oil Industry Plc.
- Director, Lam Soon Holding Co., Ltd.
- Manager of Melting Division, Siam Asahi-Technoglass Co., Ltd.
- Assistant Production Manager, Lam Soon (Thailand) Co., Ltd.

(10) Mrs. Roongnapa Phanomchoeng

Sales Manager- Industrial

Age : 54 years
% of share holding : None
Family relation with management : None
Education : Bachelor of Economics, Ramkhamhaeng University
Director Training Programme : None

Other Experience:

- Assistant Managing Director, Pure Refined Oil Co., Ltd.
- Senior Sales Manager, Abico Holdings Plc.

Note : ■ *present experience* □ *past experience*

SHAREHOLDERS AND MANAGEMENT

(11) Mr. Komkris Siritwongpairat

Sales Manager – Modern Trade / Food Solution

Age : 40 years

% of share holding : None

Family relation with management : None

Education : Master in Financial Management, University of Exeter, UK;
Bachelor of Business Administration, Assumption University

Director Training Programme : None

Other Experience:

- Sales Manager – SC Johnson & Son Co., Ltd.
- Sr. Customer Development Manager – Johnson & Johnson
- Key Account Manager & Trade Marketing Manager – Diethelm Co., Ltd

(12) Mr. Sirichai Navasettavorn

Sales Manager – Traditional Trade

Age : 39 years

% of share holding : None

Family relation with management : None

Education : MBA (Major in Marketing),
Mahanakorn University of Technology
Bachelor of Business Administration (Major in Marketing),
Bangkok University

Director Training Programme : None

Other Experience:

- National Field Sales Manager, Siam Winery Trading Plus Co., Ltd.
- Business Development Manager, Fonterra Brands (Thailand) Co., Ltd.
- Distribution Account Specialist, Nestle (Thai) Ltd.
- Area Sales Manager, Boonrawd Asia Beverage Co., Ltd.
- Business Development Manager, Thai pure drink Co., Ltd.

Note : ■ *present experience* □ *past experience*

SHAREHOLDERS AND MANAGEMENT

6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2011	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2012
(1) Mr.Whang Tar Liang	-	-	-
(2) Mr.Somchai Chongsawadchai	10,620,400	-	10,620,400
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	-	-	-
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	-	-	-
(5) Mr. Banchong Chittchang	-	-	-
(6) Datuk Simon Shim Kong Yip	-	-	-
(7) Mr.Whang Shang Ying	-	-	-
(8) Ms.Anchalee Suebchantasiri	9,140	-	9,140
(9) Mr.Ampol Simarojana	-	-	-
(10) Mrs. Roongnapa Phanomchoeng	-	-	-
(11) Mr. Komkris Siriwongpairat	-	-	-
(12) Mr. Sirichai Navasettavorn	-	-	-

7. Remuneration of Directors and Management

Monetary Remuneration

(a) Director's fees : Total fees to all 9 members of the Board 4,910,000 Baht

Name	Position	Director's fees in 2012
(1) Mr. Whang Tar Liang	Chairman of the Board Executive Director	600,000
(2) Mr. Somchai Chongsawadchai	Vice-Chairman of the Board Managing Director	240,000
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director Chairman of Audit Committee	882,000
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director Member of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee	942,000
(5) Mr. Banchong Chittchang	Independent Director Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee	942,000
(6) Datuk Simon Shim Kong Yip	Independent Director Chairman of Nomination Committee	524,000
(7) Mr. Whang Shang Ying	Executive Director Member of Remuneration Committee Member of Nomination Committee	300,000
(8) Mr. Ampol Simarojana	Executive Director and Factory Manager	240,000
(9) Ms. Anchalee Suebchantasiri	Executive Director and Finance Manager	240,000

(b) Remuneration paid to the Company's Executive Directors as Executive Directors of Subsidiaries for 4 persons : 1,721,200 Baht

(c) Remuneration of all 8 persons of the Management : 88,935,871 Baht

(d) Remuneration paid to the Company's Executive Directors as the Management of Subsidiaries for 3 persons : 9,662,100 Baht

Note : Remuneration of the Management comprises remuneration paid to the Executive Directors, the Managing Director, and the first 4 Department Manager levels ranking immediately below Managing Director including every person in the same level of the 4th ranking (as specified in the Notification of The Office of Securities and Exchange Commission).

SHAREHOLDERS AND MANAGEMENT

Other Remuneration

The Company has paid no other remuneration, except the cost of air-ticket and accommodation for directors residing outside Thailand who attend the meetings, and the cost of director liability insurance for all members of the Board. Other forms of remuneration for the Management include Company's cars and related expenses, medical expense, and accidental insurance.

As for Provident Fund, the Management has been paid at the same rate as other employees. However, no Provident Fund has been paid to Mr. Whang Tar Liang and Mr. Whang Shang Ying.

8. Directors and the Management having positions in subsidiaries and related companies

Name of companies Name of Directors	The Company	Subsidiaries		Related Company (Lam Soon Holding Co., Ltd.)
		United Palm Oil Industry Plc.	Universal Food Plc.	
(1) Mr. Whang Tar Liang	X			X
(2) Mr. Somchai Chongsawadchai	//	//		/
(3) Mr. Whang Shang Ying	//	/	X	/
(4) Mr. Ampol Simarojana	//			/
(5) Ms. Anchalee Suebchantasiri	//	//		/

Notes: X : Chairman of Board of Directors

/ : Director

// : Executive Director

9. Control system of utilising insider information

The following policy and guidelines of the Company prevents the Management from utilising insider information of the Company for personal gain:

1. Directors and Management are obliged to report to the Board on each person's securities holding and the holding of securities in the Company by his spouse and minor children. This includes penalty provisions under the Securities and Exchange Act B.E. 2535 and the regulations of the Stock Exchange of Thailand;
2. Management as their duty to report their holdings of securities in the Company to the Board in every quarter on which the Board meeting is called;
3. Material insider information of the Company should not be revealed to others. This includes impacts on the Company's securities, and the penalty provisions of a law that the Management may face according to the Securities and Exchange Act B.E. 2535, as a result of their violation;
4. Management is prohibited from trading in the Company's shares 1 month prior to the Company's financial statements being announced.

The Company has established the rules for prevention of using inside information including the penalties for violator stated in item 4.8.1 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

10. Internal Control Management

The Company places importance on internal control system which it regards as a vital management tool to reduce business risk, to build up a confidence of business management, to assist the Company operating efficiency and fulfill expected goal. The internal control system also enhances shareholders' benefits and investment, supports verification and creditability of financial statement reports and operating reports of the Company, prevents loss of assets and assists employees working under laws and regulations.

The Company employed Dr. Virach & Associates Office to be the Company internal auditors. The Company assigns the Office to prepare quarterly internal audit plans, which are to evaluate efficiency of the Company's internal control system and create effectively internal control system for the Company and practice in consistency.

During the Board Meeting No.2/2013 held on 22 February 2013, in the presence of 2 independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organisation and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has enough internal control system for the above mentioned areas.

Besides, the business transactions with majority shareholder and subsidiary companies are mentioned in the Notes to the Financial Statements item 6, as well as the transactions corresponding to the rules and regulations of the SET regarding related transactions are also mentioned. The Board provided the opinion that the Company maintains adequate internal measures.

Other significant items of internal control have been reviewed every quarter by the audit committee and the Company's internal auditor, Dr. Virach & Associates. Major issues are reported to the Board by the audit committee. The Board provided an opinion that Company's internal control measure is further strengthened by the quarterly review as well.

Dividend Payout Policy

The Company's policy is to pay dividends to shareholders of an amount not less than 40% of net earnings after tax. The Board of Directors passed a resolution to propose the payment of dividend for the operational period of 2012 at the rate of 0.20 Baht/share representing 50.4% of net profit, compared with that of 2011 at 0.08 Baht/share representing 48.8% of net profit.

United Palm Oil Industry Plc. pays dividends at approximately 50% of net earnings after tax, depending on the company's performance and economic situation.

Universal Food Plc. is not paying any dividend due to accumulated retained losses.

COMMON INTERESTED PERSONS AND CONNECTED TRANSACTIONS

Connected transactions with common interested persons, necessity and reasons for connected transactions

During the years, the Company 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.

- (a) With United Palm Oil Industry Public Company Limited (UPOIC) and Universal Food Public Company Limited (UFC)

(Unit: million Baht)

Relation	Transactions	Value of Transactions		Pricing Policy	Necessity
		2012	2011		
Subsidiary company	Purchase of raw material	1,379	1,185	Market prices on the contract's date/Price set by the Thai Oil Palm Board	- CPO being the major raw material of the Company has not been allowed for import unless getting approval from the Government. - There is a shortage of local supply of CPO in some seasons Therefore, it is necessary for the Company to buy CPO from UPOIC.
	Purchase of finished goods	779	745	Market prices less fixed margin	To reduce selling and administrative expenses of the Group, the Company has been appointed as the distributor of UFC products for domestic sales.
	Sales of goods and services	2	5	Market price	These are the utilities fee including electricity, water, and public service charged to UPOIC and UFC as they rent the Company's office building.
	Rental income	2	2	Market price	Relocating offices to the same area among the Company group is to save handling expenses and be flexible for daily operation.
	Dividend income	279	170	At the declared rate	This is the dividend received from investment in UPOIC.
	Selling and administrative service income	83	29	On actual basis /Agreed upon agreement	This is selling and administrative expenses from being the distributor for UFC.

- (b) With Lam Soon Edible Oils Sdn. Bhd.

(Unit: million Baht)

Relation	Transactions	Value of Transactions		Pricing Policy	Necessity
		2012	2011		
Owned by the common shareholder as majority	Purchases of goods and services	-	33	Price less marketing expenses and margin	Due to the shortage of palm oil and palm stearin during end 2010 until beginning 2011, which is the raw material for margarine and shortening, the Company therefore imported such finished goods from related company.

The balances of the accounts as at 31 December 2012 and 2011 between the Company, subsidiaries, and those related companies have been declared in Notes to financial statements item no. 6.

Measures or criteria to approve connected transactions

In 2012, the Company's purchases of CPO, CPKO, PKS and FFB from UPOIC accounted for 39.77% of its total CPO, CPKO, PKS and FFB purchase. The buying was based on the ongoing market price as normal business transaction on an arm's length basis. It was done without any commitment, but on the basis of the CPO purchase contract and in compliance with normal business practice in the palm oil industry.

Mr. Somchai Chongsawadchai, Managing Director of the Company and of UPOIC, approved the CPO purchase for the Company. The approval was based on the market price references of various crushing mills.

For UFC products, the Company buys the products from UFC at the selling price sold by the Company less a fixed margin which is determined on an arm's length basis between the two companies' respective management.

Connected transactions in the future

The Company has had business transactions with UPOIC prior to the Company becoming its major shareholder. So long as the Government's policy on import of CPO is unclear, the Company will have to source CPO from UPOIC because CPO is the major raw material of the Company. Nevertheless, the Company can and does buy CPO at same price from other crushing mills as additional sources of supply.

The Company will continue to act as distributor of UFC in order to reduce selling and administrative expenses of the group as a whole.

Legal conflicts

As at 31 December 2012, there was no litigation involving the Company which could have a material adverse impact on the assets of the Company or its subsidiaries amounting higher than 5% of shareholders' equity.

Obligations on future share issuance

- None -

- None -

Lam Soon (Thailand) Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2012

Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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



Wichart Lokatekrawee
Certified Public Accountant (Thailand) No. 4451

Ernst & Young Office Limited
Bangkok: 22 February 2013

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2012

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets					
Current assets					
Cash and cash equivalents	7	259,266,032	508,342,952	54,861,727	220,122,139
Trade and other receivables	6, 8	901,752,822	1,070,063,448	822,070,831	987,828,906
Short-term loans to related parties	6	-	-	-	-
Inventories	9	1,566,557,742	1,599,361,285	775,711,507	1,031,792,591
Other current assets		57,582,333	57,091,013	18,048,415	20,963,404
Total current assets		2,785,158,929	3,234,858,698	1,670,692,480	2,260,707,040
Non-current assets					
Investments in associated company	10	-	-	-	-
Investments in subsidiaries	11	-	-	1,312,490,844	1,312,479,294
Other long-term investments	12	1,010,847	809,037	1,010,847	809,037
Investment properties	13	52,486,739	53,238,477	11,658,519	13,357,177
Property, plant and equipment	14	1,865,231,439	1,875,949,751	639,100,585	698,073,978
Cost of forest land rights and cost of palm plantation	15	264,912,830	291,053,521	259,824	271,589
Goodwill		196,376,189	196,376,189	-	-
Intangible assets	16	14,353,663	16,112,059	2,693,407	3,092,618
Other non-current assets		2,028,143	2,619,097	516,738	454,978
Total non-current assets		2,396,399,850	2,436,158,131	1,967,730,764	2,028,538,671
Total assets		5,181,558,779	5,671,016,829	3,638,423,244	4,289,245,711

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	17	1,688,974,292	2,200,010,880	600,000,000	1,415,000,000
Trade and other payables	6, 18	317,492,574	438,561,252	393,875,131	460,208,217
Short-term loan from related party	6	50,000,000	50,000,000	-	-
Current portion of liabilities under					
finance lease agreements	20	135,105	1,036,638	-	566,502
Current portion of long-term loans	21	67,880,000	68,080,000	40,000,000	40,000,000
Income tax payable		51,112,852	65,941,316	10,913,161	-
Other current liabilities	19	182,954,881	176,593,550	112,536,119	116,046,298
Total current liabilities		2,358,549,704	3,000,223,636	1,157,324,411	2,031,821,017
Non-current liabilities					
Liabilities under finance lease agreements					
- net of current portion	20	-	135,105	-	-
Long-term loans - net of current portion	21	17,140,000	85,020,000	15,000,000	55,000,000
Provision for land rental charge	22	20,468,000	20,468,000	-	-
Provision for long-term employee benefits	23	71,787,741	56,983,875	43,886,577	43,358,311
Total non-current liabilities		109,395,741	162,606,980	58,886,577	98,358,311
Total liabilities		2,467,945,445	3,162,830,616	1,216,210,988	2,130,179,328

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Shareholders' equity					
Share capital					
Registered					
820,000,000 ordinary shares of Baht 1 each		<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>
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
Paid-in surplus					
Share premium		241,970,265	241,970,265	241,970,265	241,970,265
Premium on treasury stock		5,269,100	5,269,100	5,269,100	5,269,100
Retained earnings					
Appropriated - statutory reserve	24	103,071,298	103,071,298	82,000,000	82,000,000
Unappropriated		1,225,396,432	1,010,013,567	1,273,480,469	1,010,536,406
Other components of shareholders' equity		<u>477,651</u>	<u>275,841</u>	<u>(507,578)</u>	<u>(709,388)</u>
Equity attributable to owners of the Company		<u>2,396,184,746</u>	<u>2,180,600,071</u>	<u>2,422,212,256</u>	<u>2,159,066,383</u>
Non-controlling interests of the subsidiaries		<u>317,428,588</u>	<u>327,586,142</u>	-	-
Total shareholders' equity		<u>2,713,613,334</u>	<u>2,508,186,213</u>	<u>2,422,212,256</u>	<u>2,159,066,383</u>
Total liabilities and shareholders' equity		<u>5,181,558,779</u>	<u>5,671,016,829</u>	<u>3,638,423,244</u>	<u>4,289,245,711</u>
		-	-	-	-

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

.....
 Directors

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profit or loss:					
Revenues					
Sales	27	7,612,229,539	8,885,075,645	6,383,852,900	7,530,889,488
Dividend income	11	116,581	153,350	249,503,202	170,189,683
Subsidy from the Department of Internal Trade		-	29,091,845	-	29,091,845
Other income	6	127,999,725	74,906,598	125,316,095	65,413,182
Total revenues		7,740,345,845	8,989,227,438	6,758,672,197	7,795,584,198
Expenses					
Cost of sales		6,411,952,326	7,648,761,193	5,912,670,773	7,150,253,604
Selling expenses		556,703,923	592,069,484	338,854,797	334,024,809
Administrative expenses		212,697,615	250,209,030	132,616,771	124,665,274
Total expenses		7,181,353,864	8,491,039,707	6,384,142,341	7,608,943,687
Profit before finance cost					
and income tax expenses		558,991,981	498,187,731	374,529,856	186,640,511
Finance cost		(74,105,323)	(83,562,747)	(36,111,652)	(52,199,376)
Profit before income tax expenses		484,886,658	414,624,984	338,418,204	134,441,135
Income tax expenses	26	(110,210,567)	(142,308,992)	(13,074,140)	-
Profit for the year		374,676,091	272,315,992	325,344,064	134,441,135
Other comprehensive income:					
Income (deficit) on changes in value of available-for-sale investments		201,810	(124,837)	201,810	(124,837)
Other comprehensive income for the year		201,810	(124,837)	201,810	(124,837)
Total comprehensive income for the year		374,877,901	272,191,155	325,545,874	134,316,298

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2012

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit attributable to:					
Equity holders of the Company		277,782,866	168,181,396	<u>325,344,064</u>	<u>134,441,135</u>
Non-controlling interests of the subsidiaries		<u>96,893,225</u>	<u>104,134,596</u>		
		<u>374,676,091</u>	<u>272,315,992</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		277,984,676	168,056,559	<u>325,545,874</u>	<u>134,316,298</u>
Non-controlling interests of the subsidiaries		<u>96,893,225</u>	<u>104,134,596</u>		
		<u>374,877,901</u>	<u>272,191,155</u>		
Basic earnings per share					
	28				
Profit attributable to equity holders					
of the Company		<u>0.34</u>	<u>0.21</u>	<u>0.40</u>	<u>0.16</u>
Weighted average number of ordinary shares					
(shares)		<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Baht)

Consolidated financial statements												
Equity attributable to the owners of the Company												
	Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Retained earnings		Other components of equity			Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity	
					Appropriated - statutory reserve	Unappropriated	Other comprehensive income	Deficit on changes in value of available-for-sale investments	Other changes by the owners			Total other components of shareholders' equity
Balance as at 1 January 2011		820,000,000	241,970,265	5,269,100	102,774,506	950,775,019	(584,551)	5,008,700	4,424,149	2,125,213,039	300,119,892	2,425,332,931
Dividend paid	31	-	-	-	-	(122,998,711)	-	-	-	(122,998,711)	-	(122,998,711)
Total comprehensive income for the year		-	-	-	-	168,181,396	(124,837)	-	(124,837)	168,056,559	104,134,596	272,191,155
Unappropriated retained earnings transferred to statutory reserve		-	-	-	296,792	(296,792)	-	-	-	-	-	-
Reversal of prior year dividend		-	-	-	-	14,352,655	-	-	-	14,352,655	-	14,352,655
Acquisition of investment in subsidiary from non-controlling interests	2.2	-	-	-	-	-	-	(4,023,471)	(4,023,471)	(4,023,471)	(6,736,079)	(10,759,550)
Acquisition of additional shares of subsidiary by non-controlling interests		-	-	-	-	-	-	-	-	-	3,067,400	3,067,400
Decrease in non-controlling interests from dividend payment in subsidiary		-	-	-	-	-	-	-	-	-	(72,999,667)	(72,999,667)
Balance as at 31 December 2011		820,000,000	241,970,265	5,269,100	103,071,298	1,010,013,567	(709,388)	985,229	275,841	2,180,600,071	327,586,142	2,508,186,213

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2012

(Unit: Baht)

Consolidated financial statements												
Equity attributable to the owners of the Company												
	Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Retained earnings		Other components of equity			Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity	
					Appropriated - statutory reserve	Unappropriated	Other comprehensive income	Deficit on changes in value of available-for-sale investments	Other changes by the owners			Total other components of shareholders' equity
Balance as at 1 January 2012		820,000,000	241,970,265	5,269,100	103,071,298	1,010,013,567	(709,388)	985,229	275,841	2,180,600,071	327,586,142	2,508,186,213
Dividend paid	31	-	-	-	-	(65,598,752)	-	-	-	(65,598,752)	-	(65,598,752)
Total comprehensive income												
for the year		-	-	-	-	277,782,866	201,810	-	201,810	277,984,676	96,893,225	374,877,901
Reversal of prior year dividend		-	-	-	-	3,198,751	-	-	-	3,198,751	-	3,198,751
Acquisition of investment in subsidiary												
from non-controlling interests		-	-	-	-	-	-	-	-	-	(11,550)	(11,550)
Decrease in non-controlling interests												
from dividend payment in subsidiary		-	-	-	-	-	-	-	-	-	(107,039,229)	(107,039,229)
Balance as at 31 December 2012		820,000,000	241,970,265	5,269,100	103,071,298	1,225,396,432	(507,578)	985,229	477,651	2,396,184,746	317,428,588	2,713,613,334

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2012

(Unit: Baht)

		Separate financial statements					Other components of equity			
		Issued and paid up		Premium on treasury stock	Retained earnings		Other comprehensive income	Deficit on changes in value of available-for-sale investments	Total other components of shareholders' equity	Total shareholders' equity
Note	share capital	Share premium		Appropriated - statutory reserve	Unappropriated					
Balance as at 1 January 2011	820,000,000	241,970,265	5,269,100	82,000,000	984,741,327	(584,551)	(584,551)		2,133,396,141	
Dividend paid	31	-	-	-	(122,998,711)	-	-		(122,998,711)	
Total comprehensive income for the year		-	-	-	134,441,135	(124,837)	(124,837)		134,316,298	
Reversal of prior year dividend		-	-	-	14,352,655	-	-		14,352,655	
Balance as at 31 December 2011	<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>82,000,000</u>	<u>1,010,536,406</u>	<u>(709,388)</u>	<u>(709,388)</u>		<u>2,159,066,383</u>	
Balance as at 1 January 2012	820,000,000	241,970,265	5,269,100	82,000,000	1,010,536,406	(709,388)	(709,388)		2,159,066,383	
Dividend paid	31	-	-	-	(65,598,752)	-	-		(65,598,752)	
Total comprehensive income for the year		-	-	-	325,344,064	201,810	201,810		325,545,874	
Reversal of prior year dividend		-	-	-	3,198,751	-	-		3,198,751	
Balance as at 31 December 2012	<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>82,000,000</u>	<u>1,273,480,469</u>	<u>(507,578)</u>	<u>(507,578)</u>		<u>2,422,212,256</u>	

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2012

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities				
Profit before tax	484,886,658	414,624,984	338,418,204	134,441,135
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	251,119,845	237,163,840	87,348,465	85,812,293
Increase (decrease) in allowance for doubtful accounts	379,425	424,871	365,742	(665,968)
Increase (decrease) in allowance for diminution in inventory value	(3,265,216)	1,223,382	(1,471,345)	265,932
Loss on write off inventory	-	791,173	-	-
Allowance for impairment loss of assets	-	3,010,358	-	-
Loss on disposals of property, plant and equipment	118,718	-	2,006	-
Gain on sales of property, plant and equipment	(3,497,380)	(4,867,913)	(2,693,506)	(694,032)
Loss from write off of cost of palm plantation	6,700	133,421	-	-
Loss on disposals of intangible assets	220,129	-	-	-
Unrealised gain (loss) on exchange	508,952	(275,460)	(49,117)	(160,100)
Provision for long-term employee benefits	40,712,853	40,414,899	24,634,273	24,726,761
Dividend income from subsidiary	-	-	(249,386,621)	(170,036,333)
Dividend income from other companies	(116,581)	(153,350)	(116,581)	(153,350)
Interest expenses	<u>70,059,880</u>	<u>78,890,851</u>	<u>33,586,102</u>	<u>49,306,428</u>
Profit from operating activities before changes in operating assets and liabilities	841,133,983	771,381,056	230,637,622	122,842,766
Decrease (increase) in operating assets				
Trade and other receivables	167,516,643	(208,295,892)	165,402,281	(193,696,212)
Inventories	42,445,180	(529,348,922)	257,552,429	(538,335,575)
Other current assets	(803,018)	(372,147)	2,914,989	(291,362)
Other non-current assets	590,954	(1,251,981)	(61,760)	180,000
Increase (decrease) in operating liabilities				
Trade and other payables	(109,372,767)	44,993,400	(67,374,264)	147,502,141
Other current liabilities	10,934,928	31,610,057	1,253,792	14,810,564
Cash paid for long-term employee benefits	<u>(25,908,986)</u>	<u>(22,125,600)</u>	<u>(24,106,007)</u>	<u>(17,445,837)</u>
Cash from (used in) operating activities	926,536,917	86,589,971	566,219,082	(464,433,515)
Cash paid for interest expenses	(71,287,102)	(77,633,802)	(2,160,979)	(48,330,595)
Cash paid for income tax	<u>(124,800,279)</u>	<u>(90,203,591)</u>	<u>(35,140,222)</u>	<u>(8,115,031)</u>
Net cash from (used in) operating activities	<u>730,449,536</u>	<u>(81,247,422)</u>	<u>528,917,881</u>	<u>(520,879,141)</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from investing activities				
Decrease in current investments -				
fixed deposits at bank	-	6,059,400	-	-
Increase in investment in subsidiary	(11,550)	-	(11,550)	-
Dividend received from subsidiary	-	-	249,386,621	170,036,333
Dividend received from other companies	116,581	153,350	116,581	153,350
Acquisitions of property, plant and equipment	(218,900,016)	(202,384,075)	(24,358,059)	(57,423,114)
Proceeds from disposals of property, plant and equipment	3,653,140	6,422,029	2,727,183	1,433,316
Increase in cost of palm plantation	(9,730,526)	(16,705,418)	-	-
Increase in intangible assets	<u>(1,653,898)</u>	<u>(1,191,749)</u>	<u>(862,715)</u>	<u>(411,050)</u>
Net cash from (used in) investing activities	<u>(226,526,269)</u>	<u>(207,646,463)</u>	<u>226,998,061</u>	<u>113,788,835</u>
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(511,234,468)	662,900,402	(815,000,000)	590,000,000
Increase in short-term loans from subsidiaries	-	50,000,000	-	-
Repayment of liabilities under finance lease agreements	(1,036,638)	(4,779,990)	(566,502)	(3,658,466)
Repayment of long-term loans	(68,080,000)	(68,080,000)	(40,000,000)	(40,000,000)
Acquisition of investment in subsidiary from non-controlling interest	-	(10,759,550)	-	-
Proceeds from increase in share capital of subsidiary	-	3,067,400	-	-
Dividend paid	<u>(172,649,081)</u>	<u>(196,288,988)</u>	<u>(65,609,852)</u>	<u>(123,003,211)</u>
Net cash from (used in) financing activities	<u>(753,000,187)</u>	<u>436,059,274</u>	<u>(921,176,354)</u>	<u>423,338,323</u>
Net increase (decrease) in cash and cash equivalents	<u>(249,076,920)</u>	<u>147,165,389</u>	<u>(165,260,412)</u>	<u>16,248,017</u>
Cash and cash equivalents at beginning of the year	<u>508,342,952</u>	<u>361,177,563</u>	<u>220,122,139</u>	<u>203,874,122</u>
Cash and cash equivalents at end of the year	<u><u>259,266,032</u></u>	<u><u>508,342,952</u></u>	<u><u>54,861,727</u></u>	<u><u>220,122,139</u></u>

Supplementary disclosures of cash flows information

Non-cash transactions

Acquisitions of plant and equipment

 that have not been paid

Transferred palm nursery to inventory account

11,131,693	22,787,696	1,584,605	504,258
6,376,422	4,043,492	-	-

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 2012

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

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of 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>2012</u> Percent	<u>2011</u> Percent
<u>Subsidiaries directly held by the Company</u>				
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	98.76	98.76

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2012</u> Percent	<u>2011</u> Percent
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>				
Phansrivivat Company Limited	Owner of palm oil plantation	Thailand	100	100
<u>Jointly controlled entity held by United Palm Oil Industry Public Company Limited</u>				
Siam Elite Palm Company Limited	Production and distribution of palm oil seeds	Thailand	50	50
<u>Subsidiaries held by Phansrivivat Company Limited</u>				
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
<u>Subsidiary held by Universal Food Public Company Limited</u>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	Thailand	97	97

On 30 March 2011, Universal Food Public Company Limited (“UFC”), the subsidiary of the Company, acquired an additional 215,191 shares of Union Frost Company Limited, which is the subsidiary of UFC, from the existing shareholders of such subsidiary at a price of Baht 50.0 per share, or for a total of Baht 10.8 million. Its shareholding in this subsidiary increased by 18% from 79% to 97%. UFC recorded the Baht 4.0 million excess of the purchase price over the attributable net book value of the subsidiary, under caption “Other changes by the owners” in the statements of changes in shareholders' equity.

On 13 December 2011, the Extraordinary General Meeting of the shareholders of Union Frost Company Limited, a subsidiary of Universal Food Public Company Limited (“UFC”), passed a resolution to increase its share capital by offering 1,000,000 shares, to the existing shareholders at a price of Baht 100 per share, or a total of Baht 100 million. UFC, a subsidiary of the Company, acquired an additional 969,326 shares at a price of Baht 100 per share, or a total of Baht 96.9 million. As a result of this transaction, UFC’s equity interest in such company is unchanged i.e. 97%.

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.

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

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection 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 production costs and attributable factory overheads.

Raw materials, supplies and spare parts 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 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 loss on diminution in value (if any).
- c) Investment in associate is 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 measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over 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/depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss an 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 and 20 years
Waste water treatment	-	15 and 30 years
Machinery, factory and agricultural equipment	-	5 - 20 years
Furniture, fixtures and office equipment	-	5 - 15 years
Motor vehicles	-	5 - 15 years

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and machinery under 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/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 productive life of the palm trees (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 included in determining income.

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

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

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method 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>
Licenses	- The remaining period of the license agreements as at the date of obtaining the right (approximately 29 years)
Computer software	- 5 years

4.11 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is deducted in calculating the carrying amount of the asset. The grant is recognised over the useful life of a depreciable asset by way of a reduced depreciation charge. Government grants related to income are recognised as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate.

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

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

4.14 Long-term leases

Leases of 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 equipment acquired under finance leases 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 payment are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.15 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.16 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 and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. 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.

An impairment loss 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 its 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 and its subsidiaries's 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 it 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 plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

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

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, as an expense on a straight-line basis over up to five years from the date of adoption.

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 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.

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 determining income. 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.

5. Significant accounting judgments and estimates

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

Leases

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

Allowance for doubtful accounts

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

Impairment of equity investments

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

Property, plant and equipment/Depreciation

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

In addition, the management is required to review property, plant and equipment 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 judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill and intangible assets

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

Post-employment benefits under defined benefit plans 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 land litigation. The subsidiary’s management has used judgment to assess the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting date.

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 financial statements		Separate financial statements		Transfer Pricing policy
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Purchase of raw material	-	-	1,379	1,185	Market prices on the contract date (2011: Market prices on the contract date/Price set by National Palm Oil Policy Committee)
Purchase of finished goods	-	-	779	745	Market prices less fixed margin
Sales of goods and services	-	-	2	5	Market price
Rental income	-	-	2	2	Market price
Dividend income	-	-	249	170	At the declared rate
Selling and administrative service income	-	-	83	29	Actual charge (2011: Agreed upon agreement)
<u>Transactions with related companies</u>					
Sales of goods	23	25	-	-	Price approximates market price
Purchases of goods	34	51	-	33	Price less marketing expenses and margin
Interest payments	2	-	-	-	THBFIX + 0.5% per annum
<u>Transaction with jointly controlled entity</u>					
Purchase of oil palm seeds and fresh fruit bunch	3	1	-	-	Market price

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

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade and other receivables - related parties</u> (Note 8)				
Subsidiary	-	-	18,547,294	484,080
Associated companies	452,280	452,280	-	-
Related companies (related by common shareholders)	<u>23,935,342</u>	<u>26,246,293</u>	<u>16,976</u>	<u>67,264</u>
Total trade and other receivables - related parties	<u>24,387,622</u>	<u>26,698,573</u>	<u>18,564,270</u>	<u>551,344</u>
Less: Allowance for doubtful accounts	<u>(20,780,523)</u>	<u>(20,780,523)</u>	<u>-</u>	<u>-</u>
Total trade accounts receivable - related parties, net	<u><u>3,607,099</u></u>	<u><u>5,918,050</u></u>	<u><u>18,564,270</u></u>	<u><u>551,344</u></u>
 <u>Short-term loans to related parties</u>				
Associated companies	40,285,836	40,285,836	-	-
Related companies (related by common shareholders)	<u>5,324,565</u>	<u>5,324,565</u>	<u>-</u>	<u>-</u>
Total short-term loans to related parties	<u>45,610,401</u>	<u>45,610,401</u>	<u>-</u>	<u>-</u>
Less: Allowance for doubtful accounts	<u>(45,610,401)</u>	<u>(45,610,401)</u>	<u>-</u>	<u>-</u>
Total short-term loans to related parties	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
 <u>Trade and other payables - related parties</u> (Note 18)				
Subsidiary	-	-	204,558,113	165,857,597
Related companies (related by common shareholders)	<u>8,566,721</u>	<u>1,881,583</u>	<u>838,600</u>	<u>584,151</u>
Total trade and other payables - related parties	<u><u>8,566,721</u></u>	<u><u>1,881,583</u></u>	<u><u>205,396,713</u></u>	<u><u>166,441,748</u></u>
 <u>Short-term loans from related party</u>				
Related company (related by common shareholders)	<u>50,000,000</u>	<u>50,000,000</u>	<u>-</u>	<u>-</u>
Total short-term loans from related party	<u><u>50,000,000</u></u>	<u><u>50,000,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

As at 31 December 2012 and 2011, the balance of short-term loan between the Company and the related party and the movement are as follows:

(Unit: Baht)

Company's name	Related by	Consolidated financial statements		
		Balance as at 31 December 2011	Increase (decrease)	Balance as at 31 December 2012
Lam Soon Holding Co., Ltd.	Related company by common shareholders	50,000,000	-	50,000,000
Total		50,000,000	-	50,000,000

Short-term loans to related parties

Short-term loans to associated and related companies of 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 ceased from the date the Central Bankruptcy Court accepted the bankruptcy suits which the subsidiary brought against the associated and related companies. Currently, this case is in state of the Legal Execution Department.

Short-term loans from related party

Short-term loan from related company of subsidiary carry interest at a rate of THBFIX + 0.5% per annum and is repayable on demand.

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. In addition, the Company and UFC have now agreed to extend the agreement for another 5 years, starting from 1 January 2012 and expiring on 31 December 2016.

During the year 2012, the Company had selling and administrative service income from such subsidiary totaling Baht 83 million (2011: Baht 29 million).

Directors and management's remuneration

During the year ended 31 December 2012 and 2011, 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 156.5 million (the Company only: Baht 97.0 million) (2011: Baht 142.4 million, the Company only: Baht 84.3 million).

7. Cash and cash equivalents

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	1,644,343	2,323,505	825,144	945,212
Bank deposits	147,675,740	256,095,263	54,036,583	169,176,927
Investment in Bank of Thailand Bond	109,945,949	249,924,184	-	50,000,000
Total	<u>259,266,032</u>	<u>508,342,952</u>	<u>54,861,727</u>	<u>220,122,139</u>

As at 31 December 2012, bank deposits in saving accounts, fixed deposits and investment in Bank of Thailand Bond carried interests between 0.10 and 2.72 percent per annum (2011: between 0.10 and 3.13 percent per annum).

8. Trade and other receivables

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	3,593,910	5,914,132	-	19,292
Past due				
Up to 3 months	-	-	-	9,909
3 - 6 months	1,189	-	-	-
6 - 12 months	12,000	-	-	-
Over 12 months	452,280	452,280	-	-
Total	4,059,379	6,366,412	-	29,201
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Total trade receivables - related parties, net	<u>3,607,099</u>	<u>5,914,132</u>	<u>-</u>	<u>29,201</u>

(Unit: Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Post dated cheques receivable	51,173,708	45,341,752	51,173,708	45,301,523
Cheque returned	12,838,863	13,071,334	7,875,549	8,108,020
Not yet due	729,343,601	883,738,235	681,796,115	829,962,822
Past due				
Up to 3 months	107,636,179	132,968,081	70,371,161	111,499,003
3 - 6 months	8,474,039	1,130,077	146,431	786,117
6 - 12 months	477,706	286,765	355,251	232,858
Over 12 months	19,617,980	18,834,311	2,617,313	1,850,444
Total	929,562,076	1,095,370,555	814,335,528	997,740,787
Less: Allowance for doubtful accounts	(34,305,738)	(34,004,334)	(10,828,967)	(10,463,225)
Total trade receivables - unrelated parties, net	895,256,338	1,061,366,221	806,506,561	987,277,562
Total trade account receivable - net	898,863,437	1,067,280,353	803,506,561	987,306,763
<u>Other receivables</u>				
Other receivables - related parties	-	-	4,370,431	-
Other receivables - unrelated parties	1,112,576	2,779,177	-	-
Accrued income - related parties	-	-	14,193,839	-
Accrued income - unrelated parties	1,005,848	-	-	-
Advances - related parties	20,328,243	20,332,161	-	522,143
Advances - unrelated parties	770,961	-	-	-
Less: Allowance for doubtful accounts	(20,328,243)	(20,328,243)	-	-
Total other receivables - net	2,889,385	2,783,095	18,564,270	522,143
Total trade and other receivables - net	901,752,822	1,070,063,448	822,070,831	987,828,906

9. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
	Finished goods	762,002,663	645,936,468	(10,531,583)	(13,162,077)	751,471,080
Work in process	555,114,917	747,236,253	-	-	555,114,917	747,236,253
Raw materials	141,509,649	95,011,587	(816,052)	(35,742)	140,693,597	94,975,845
Inventory in transit	4,545,796	256,610	-	-	4,545,796	256,610
Supplies and spare parts	115,836,310	126,637,176	(1,103,958)	(2,518,990)	114,732,352	124,118,186
Total	1,579,009,335	1,615,078,094	(12,451,593)	(15,716,809)	1,566,557,742	1,599,361,285

(Unit: Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
	Finished goods	77,751,425	185,351,277	-	(404,350)	77,751,425
Work in process	565,046,256	760,715,770	-	-	565,046,256	760,715,770
Raw materials	95,535,239	52,785,697	-	-	95,535,239	52,785,697
Inventory in transit	4,545,796	256,610	-	-	4,545,796	256,610
Supplies and spare parts	32,951,327	34,273,118	(118,536)	(1,185,531)	32,832,791	33,087,587
Total	775,830,043	1,033,382,472	(118,536)	(1,589,881)	775,711,507	1,031,792,591

10. Investments in associated company

(Unit: Baht)

Consolidated financial statements										
Company's name	Nature of business	Country of incorpor ation	Paid-up capital		Shareholding percentage		Cost		Carrying amounts based on equity method	
			2012	2011	2012	2011	2012	2011	2012	2011
Union Fresh Co., Ltd.	Dormant	Thailand	30	30	40	40	12,000,000	12,000,000	-	-

11. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Paid-up share capital		Shareholding percentage		Cost		Dividend received during the year	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
			Percent	Percent				
United Palm Oil Industry Public Company Limited	324,050,000	324,050,000	69.96	69.96	748,343,849	748,343,849	249,386,621	170,036,333
Universal Food Public Company Limited	525,000,000	525,000,000	98.76	98.76	585,242,875	585,231,325	-	-
Total					1,333,586,724	1,333,575,174	249,386,621	170,036,333
Less: Allowance for impairment loss of investments					(21,095,880)	(21,095,880)		
Total investments in subsidiaries - net					<u>1,312,490,844</u>	<u>1,312,479,294</u>		

As at 31 December 2012, 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 2,562 million (2011: Baht 1,621 million).

12. Other long-term investments

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Equity securities</u>				
Open-ended Kumlai Perm Poon Fund	1,000,000	1,000,000	1,000,000	1,000,000
Open-ended TCM Equity Fund	300,000	300,000	300,000	300,000
Open-ended Kiatnakin Fund	200,000	200,000	200,000	200,000
Datamat Plc.	16,265	16,265	16,265	16,265
Standard Chartered Bank (Thai) Plc.	2,160	2,160	2,160	2,160
Total	1,518,425	1,518,425	1,518,425	1,518,425
Less: Unrealised loss from other long-term investments	(507,578)	(709,388)	(507,578)	(709,388)
Other long-term investments - net	1,010,847	809,037	1,010,847	809,037

13. Investment properties

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

(Unit: Baht)

	Consolidated financial statements			Separate financial statements		
	Land	Office	Total	Land	Office	Total
		building			building	
31 December 2012						
Cost	54,591,486	15,034,760	69,626,246	5,614,750	33,973,158	39,587,908
<u>Less</u> Accumulated depreciation	-	(7,776,139)	(7,776,139)	-	(27,929,389)	(27,929,389)
<u>Less</u> Allowance for diminution in value	(6,353,010)	(3,010,358)	(9,363,368)	-	-	-
Net book value	<u>48,238,476</u>	<u>4,248,263</u>	<u>52,486,739</u>	<u>5,614,750</u>	<u>6,043,769</u>	<u>11,658,519</u>

(Unit: Baht)

	Consolidated financial statements			Separate financial statements		
	Land	Office	Total	Land	Office	Total
		building			building	
31 December 2011						
Cost	54,591,486	15,034,760	69,626,246	5,614,750	33,973,158	39,587,908
<u>Less</u> Accumulated depreciation	-	(7,024,401)	(7,024,401)	-	(26,230,731)	(26,230,731)
<u>Less</u> Allowance for diminution in value	(6,353,010)	(3,010,358)	(9,363,368)	-	-	-
Net book value	<u>48,238,476</u>	<u>5,000,001</u>	<u>53,238,477</u>	<u>5,614,750</u>	<u>7,742,427</u>	<u>13,357,177</u>

A reconciliation of the net book value of investment properties for the years 2012 and 2011 is presented below.

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Net book value at beginning of year	53,238,477	57,000,573	13,357,177	15,055,835
Acquisition of assets	-	(3,010,358)	-	-
Depreciation charged	(751,738)	(751,738)	(1,698,658)	(1,698,658)
Net book value at end of year	<u>52,486,739</u>	<u>53,238,477</u>	<u>11,658,519</u>	<u>13,357,177</u>

The subsidiary arranged for an independent professional valuer to appraise the value of land and building. The fair value of the land has been determined based on market prices, amounting to Baht 48 million, while that of the office building has been determined using the replacement cost, amounting to Baht 5 million. The appraised value was not determined based on the income approach because the properties are not used for rental.

The fair value of land and office building of the Company was determined at Baht 26 million (2011: Baht 38 million) using the income approach. The assumption used in the valuation was based on the Company's data.

As at 31 December 2011, the subsidiary had mortgaged land amounting to Baht 5 million to secure credit facilities granted by a bank. In 2012 the Company redeemed the mortgaged land.

14. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements

	Land	Land awaiting development	Building and improvement	Machinery and factory and agricultural equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
Cost								
1 January 2011	244,302,396	76,475,756	875,270,956	2,287,405,895	101,694,450	198,592,981	41,887,294	3,825,629,728
Additions	1,051,046	-	246,262	28,590,127	4,421,104	22,717,868	140,380,813	197,407,220
Capitalised interest	-	-	27,988	47,339	3,213	-	1,109,937	1,188,477
Disposals/write off	(154,765)	-	(1,822,297)	(45,431,094)	(2,064,611)	(15,996,399)	-	(65,469,166)
Transfer in/(transfer out)	168,224	-	24,956,707	38,270,186	1,964,010	3,905,787	(69,264,914)	-
31 December 2011	245,366,901	76,475,756	898,679,616	2,308,882,453	106,018,166	209,220,237	114,113,130	3,958,756,259
Additions	-	-	728,800	45,631,151	3,485,568	21,008,186	134,843,669	205,697,374
Capitalised interest	-	-	267,998	522,150	8,603	-	747,888	1,546,639
Disposals/write off	-	-	(445,329)	(17,275,667)	(1,805,593)	(4,785,795)	-	(24,312,384)
Transfer in/(transfer out)	198,000	-	47,769,218	101,173,693	819,184	24,296,538	(174,256,633)	-
31 December 2012	245,564,901	76,475,756	947,000,303	2,438,933,780	108,525,928	249,739,166	75,448,054	4,141,687,888

(Unit: Baht)

Consolidated financial statements

	Land	Land awaiting development	Building and improvement	Machinery and factory and agricultural equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
<u>Accumulated depreciation</u>								
1 January 2011	-	-	475,775,611	1,206,327,263	86,214,438	156,463,125	-	1,924,780,437
Depreciation for the year	-	-	39,108,525	141,898,506	4,945,350	19,424,145	-	205,376,526
Depreciation on disposals/write off	-	-	(1,293,840)	(45,230,837)	(1,609,165)	(15,781,208)	-	(63,915,050)
31 December 2011	-	-	513,590,296	1,302,994,932	89,550,623	160,106,062	-	2,066,241,913
Depreciation for the year	-	-	40,679,668	146,661,496	5,127,250	25,219,433	-	217,687,847
Depreciation on disposals/write off	-	-	(409,765)	(17,042,545)	(1,799,804)	(4,785,792)	-	(24,037,906)
31 December 2012	-	-	553,860,199	1,432,613,883	92,878,069	180,539,703	-	2,259,891,854
<u>Allowance for impairment</u>								
31 December 2011	14,638,278	-	-	1,926,317	-	-	-	16,564,595
31 December 2012	14,638,278	-	-	1,926,317	-	-	-	16,564,595
<u>Net book value</u>								
31 December 2011	230,728,623	76,475,756	385,089,320	1,003,961,204	16,467,543	49,114,175	114,113,130	1,875,949,751
31 December 2012	230,926,623	76,475,756	393,140,104	1,004,393,580	15,647,859	69,199,463	75,448,054	1,865,231,439
<u>Depreciation for the year</u>								
2011 (Baht 181.7 million included in manufacturing cost, and the balance in administrative expenses)								205,376,526
2012 (Baht 195.7 million included in manufacturing cost, and the balance in administrative expenses)								217,687,847

(Unit: Baht)

Separate financial statements

	Land	Building and improvement	Machinery and factory and agricultural equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
Cost							
1 January 2011	22,323,875	284,522,664	1,116,397,137	35,992,809	46,570,914	17,665,417	1,523,472,816
Additions	-	-	13,285,959	1,201,294	2,709,000	35,479,066	52,675,319
Disposals/write off	-	(1,077,297)	(44,855,958)	(1,012,236)	(2,021,987)	-	(48,967,478)
Transfer in/(transfer out)	-	6,271,788	9,686,855	999,000	-	(16,957,643)	-
31 December 2011	22,323,875	289,717,155	1,094,513,993	37,180,867	47,257,927	36,186,840	1,527,180,657
Additions	-	337,317	11,929,718	756,740	4,849,726	7,564,905	25,438,406
Disposals/write off	-	-	(7,062,053)	(1,366,103)	(4,785,796)	-	(13,213,952)
Transfer in/(transfer out)	-	7,768,860	31,133,706	283,170	-	(39,185,736)	-
31 December 2012	22,323,875	297,823,332	1,130,515,364	36,854,674	47,321,857	4,566,009	1,539,405,111

(Unit: Baht)

Separate financial statements

	Land	Building and improvement	Machinery and factory and agricultural equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
<u>Accumulated depreciation</u>							
1 January 2011	-	170,952,419	559,556,248	30,612,654	31,437,974	-	792,559,295
Depreciation for the year	-	11,897,111	63,218,495	1,857,203	5,876,452	-	82,849,261
Depreciation on disposals/write off	-	(1,077,295)	(44,780,293)	(563,799)	(1,806,807)	-	(48,228,194)
31 December 2011	-	181,772,235	577,994,450	31,906,058	35,507,619	-	827,180,362
Depreciation for the year	-	13,310,693	63,193,401	1,837,342	6,034,680	-	84,376,116
Depreciation on disposals/write off	-	-	(7,026,407)	(1,366,070)	(4,785,792)	-	(13,178,269)
31 December 2012	-	195,082,928	634,161,444	32,377,330	36,756,507	-	898,378,209
<u>Allowance for impairment</u>							
31 December 2011	-	-	1,926,317	-	-	-	1,926,317
31 December 2012	-	-	1,926,317	-	-	-	1,926,317
<u>Net book value</u>							
31 December 2011	22,323,875	107,944,920	514,593,226	5,274,809	11,750,308	36,186,840	698,073,978
31 December 2012	22,323,875	102,740,404	494,427,603	4,477,344	10,565,350	4,566,009	639,100,585

Depreciation for the year

2011 (Baht 70.8 million included in manufacturing cost, and the balance in administrative expenses)

82,849,261

2012 (Baht 72.4 million included in manufacturing cost, and the balance in administrative expenses)

84,376,116

During 2012, the subsidiary capitalised interest amounting to Baht 1.6 million (2011: Baht 1.2 million) to the costs of plant construction and machinery installation. These borrowing costs were determined based on the borrowing cost of the general loans and the weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.16% - 4.10% (2011: 1.93% - 3.96%).

As at 31 December 2012, the subsidiary had vehicles under finance lease agreements with net book value amounting to Baht 0.1 million (2011: Baht 1.5 million).

As at 31 December 2012 and 2011, the majority of land and building thereon of the subsidiary were mortgaged and pledged with financial institutions to secure credit facilities granted by financial institutions and bank guarantees.

As at 31 December 2012 and 2011, certain plant and equipment items of the Company and the 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 1,138 million (2011: Baht 1,048 million) and for the Company amounted to approximately Baht 381 million (2011: Baht 340 million).

15. Cost of forest land rights and cost of palm plantation

	Consolidated financial statements			(Unit: Baht) Separate financial statements
	Cost of forest land rights and cost of palm plantation ready for harvest	Cost of palm plantation not ready for harvest	Total	Cost of forest land rights and cost of palm plantation ready for harvest
<u>Cost:</u>				
1 January 2011	574,035,336	35,965,675	610,001,011	294,119
Additions	-	16,705,418	16,705,418	-
Disposals	(2,269,417)	-	(2,269,417)	-
Transfer in/(Transfer out)	1,129,680	(5,173,172)	(4,043,492)	-
31 December 2011	572,895,599	47,497,921	620,393,520	294,119
Additions	-	9,730,526	9,730,526	-
Disposals	(467,297)	-	(467,297)	-
Transfer in/(Transfer out)	38,313,067	(44,689,489)	(6,376,422)	-
31 December 2012	610,741,369	12,538,958	623,280,327	294,119
<u>Accumulated amortisation:</u>				
1 January 2011	303,517,405	-	303,517,405	10,765
Amortisation charged for the year	27,958,590	-	27,958,590	11,765
Amortisation on disposals	(2,135,996)	-	(2,135,996)	-
31 December 2011	329,339,999	-	329,339,999	22,530
Amortisation charged for the year	29,488,095	-	29,488,095	11,765
Amortisation on disposals	(460,597)	-	(460,597)	-
31 December 2012	358,367,497	-	358,367,497	34,295
<u>Net book value:</u>				
31 December 2011	243,555,600	47,497,921	291,053,521	271,589
31 December 2012	252,373,872	12,538,958	264,912,830	259,824
<u>Amortisation for the year (included in manufacturing cost)</u>				
2011			27,958,590	11,765
2012			29,488,095	11,765

Approximately 10,510 rai of the total area utilised by the subsidiary has land title deed or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For approximately 21,349 rai, or 49 percent, of the total planted area of the subsidiary is held by the subsidiaries under concessions that expire in 2014 and 2015 and for the remainder of the total planted area, the subsidiary has possessory rights and is currently in the process of acquiring legal documentation of ownership.

16. Intangible assets

	Consolidated financial statements			(Unit: Baht)
	Computer software	Licenses	Total	Separate financial statements
	Computer software			Computer software
<u>Cost</u>				
31 December 2012				
Cost	51,819,502	10,764,200	62,583,702	24,544,249
Less: Accumulated amortisation	(46,487,838)	(1,742,200)	(48,230,038)	(21,850,842)
Net book value	<u>5,331,664</u>	<u>9,022,000</u>	<u>14,353,664</u>	<u>2,693,407</u>
<u>Cost</u>				
31 December 2011				
Cost	50,403,902	10,764,200	61,168,102	23,681,534
Less: Accumulated amortisation	(43,687,173)	(1,368,870)	(45,056,043)	(20,588,916)
Net book value	<u>6,716,729</u>	<u>9,395,330</u>	<u>16,112,059</u>	<u>3,092,618</u>

A reconciliation of the net book value of intangible assets for the years 2012 and 2011 is presented below.

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Net book value at beginning of year	16,112,059	17,997,296	3,092,618	3,934,177
Acquisition of computer software	1,653,898	1,191,749	862,715	411,050
	(220,129)	-	-	-
Amortisation	(3,192,165)	(3,076,986)	(1,261,926)	(1,252,609)
Net book value at end of year	<u>14,353,663</u>	<u>16,112,059</u>	<u>2,693,407</u>	<u>3,092,618</u>

In April 2008, the jointly controlled entity of a subsidiary paid royalty for the use of a trademark in the production and distribution of palm oil seed amounting to Euro 150,000 (proportionate to the control exercised by the subsidiary) and technical assistance fees amounting to Euro 50,000 (proportionate to the control exercised by the subsidiary) to a foreign shareholder. The jointly controlled entity recorded the amounts paid under "Intangible assets" in the balance sheet.

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

(Unit: Baht)

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	2012	2011	2012	2011	2012	2011
Bank overdrafts	MOR	MOR	-	10,880	-	-
Short-term loans from financial institutions	2.00 - 4.00	3.43 - 4.10	1,688,974,292	2,200,000,000	600,000,000	1,415,000,000
Total			1,688,974,292	2,200,010,880	600,000,000	1,415,000,000

No collateral has been pledged for short-term loans from financial institutions of the Company and its subsidiary.

18. Trade and other payables

(Unit: Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2012	2011	2012	2011
Trade payables - related parties	7,764,727	1,796,825	205,323,621	166,424,800
Trade payables - unrelated parties	238,227,048	363,220,896	148,033,524	259,249,246
Other payables - related parties	747,909	-	-	-
Other payables - unrelated parties	63,497,139	50,223,540	34,753,221	31,147,831
Advance received from related parties	54,085	84,758	73,092	16,948
Other payables for purchase of machineries	7,201,666	23,235,233	5,691,673	3,369,392
Total trade and other payables	317,492,574	438,561,252	393,875,131	460,208,217

19. Other current liabilities

(Unit: Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2012	2011	2012	2011
Accrued dividend	3,141,223	6,312,463	572,259	3,782,110
Accrued expenses	114,202,388	116,471,234	61,593,788	73,716,376
Advance income	22,927,661	10,983,285	22,927,661	10,983,285
Others	42,683,609	42,826,568	27,442,411	27,564,527
Total other current liabilities	182,954,881	176,593,550	112,536,119	116,046,298

20. Liabilities under finance lease agreements

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Liabilities under finance lease agreements	139,332	1,200,121	-	570,905
Less: Deferred interest expenses	(4,227)	(28,378)	-	(4,403)
Net	135,105	1,171,743	-	566,502
Less: Portion due within one year	(135,105)	(1,036,638)	-	(566,502)
Liabilities under finance lease agreements - net of current portion	-	135,105	-	-

The Company and its subsidiary have entered into the finance lease agreements with leasing companies for rental of vehicles for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years. Finance lease agreements are non-cancelable.

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

(Unit: Baht)

	Consolidated financial statement		
	As at 31 December 2012		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	139,332	-	139,332
Deferred interest expenses	(4,227)	-	(4,227)
Present value of future minimum lease payments	135,105	-	135,105

(Unit: Baht)

	Consolidated financial statement		
	As at 31 December 2011		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	1,060,789	139,332	1,200,121
Deferred interest expenses	(24,151)	(4,227)	(28,378)
Present value of future minimum lease payments	1,036,638	135,105	1,171,743

(Unit: Baht)

	Separate financial statement		
	As at 31 December 2011		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	570,905	-	570,905
Deferred interest expenses	(4,403)	-	(4,403)
Present value of future minimum lease payments	566,502	-	566,502

21. Long-term loans

(Unit: Million Baht)

Loan	Consolidated financial statements		Separate financial statements		Interest Rate (Per annum)	Repayment schedule	Security
	2012	2011	2012	2011			
<u>The Company</u>							
1	55.00	95.00	55.00	95.00	THBFIX plus applicable margin	Repayment in 17 quarterly installments, starting March 2010	No collateral
Total long-term loan - the Company	<u>55.00</u>	<u>95.00</u>	<u>55.00</u>	<u>95.00</u>			
<u>The subsidiary company held by the subsidiary</u>							
Union Frost Company Limited							
1	13.84	27.88	-	-	Fixed rate	Monthly installment of Baht 1.17 million, commencing as from January 2009	Mortgage of land and construction thereon, and negative pledge of machinery
2	16.18	30.22	-	-	Fixed rate	Monthly installment of Baht 1.17 million, commencing as from March 2009	Mortgage of land and construction thereon, and negative pledge of machinery
Total long-term loans - the subsidiary company held by the subsidiary	<u>30.02</u>	<u>58.10</u>	<u>-</u>	<u>-</u>			
Total long-term loans	<u>85.02</u>	<u>153.10</u>	<u>55.00</u>	<u>95.00</u>			
Less: Current portion	<u>(67.88)</u>	<u>(68.08)</u>	<u>(40.00)</u>	<u>(40.00)</u>			
Long-term loans - net of current portion	<u>17.14</u>	<u>85.02</u>	<u>15.00</u>	<u>55.00</u>			

The subsidiary company entered into an interest rate swap agreement with a lender bank covering a period from January 2009 to February 2014, whereby the related company agreed to swap the floating interest rate of THBFIX plus an applicable margin per annum on Baht 140 million of loans for a fixed annual interest rate, as detailed in Note 33.1.

The loan agreements contain covenants that, among other things, require the Company and its subsidiary to maintain such as dividend payments, the proportion of shareholding of the major shareholders and the maintenance of certain financial ratios.

22. Provision for land rental charge

In 2001, a subsidiary received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry that the land with an area of 8,600 rai covered by the concession previously granted to the subsidiary company by the Forestry Department was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. The notice called for the subsidiary company to enter into a land lease agreement commencing 1 January 2001, and also to pay retroactive land rental for the years 1991 to 2000. At present, the subsidiary is in the process of negotiating with the relevant government agencies. However, for the prudent reasons the subsidiary has set up a provision for its estimated liabilities in the accounts.

23. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2012, which is compensations on employees' retirement, was as follows:

(Unit: Baht)

	Consolidated financial statements					
	2012			2011		
	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total
Defined benefit obligation at beginning of year	142,936,402	4,390,803	147,327,205	147,730,710	3,893,028	151,623,738
Current service cost	12,950,606	397,147	13,347,753	12,900,074	386,568	13,286,642
Interest cost	4,654,589	109,199	4,763,788	4,431,218	111,207	4,542,425
Benefits paid during the year	(25,908,986)	-	(25,908,986)	(22,125,600)	-	(22,125,600)
Defined benefit obligation at end of year	134,632,611	4,897,149	139,529,760	142,936,402	4,390,803	147,327,205
Unrecognised transitional provisions	(65,406,203)	(2,335,816)	(67,742,019)	(87,228,908)	(3,114,422)	(90,343,330)
Provisions for long-term employee benefits at end of year	69,226,408	2,561,333	71,787,741	55,707,494	1,276,381	56,983,875

(Unit: Baht)

	Separate financial statements					
	2012			2011		
	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total
Defined benefit obligation at beginning of year	90,746,771	4,390,803	95,137,574	96,908,438	3,893,028	100,801,466
Current service cost	8,188,068	397,147	8,585,215	8,395,251	386,568	8,781,819
Interest cost	2,979,566	109,199	3,088,765	2,888,919	111,207	3,000,126
Benefits paid during the year	(24,106,007)	-	(24,106,007)	(17,445,837)	-	(17,445,837)
Defined benefit obligation at end of year	77,808,398	4,897,149	82,705,547	90,746,771	4,390,803	95,137,574
Unrecognised transitional provisions	(36,483,154)	(2,335,816)	(38,818,970)	(48,664,841)	(3,114,422)	(51,779,263)
Provisions for long-term employee benefits at end of year	<u>41,325,244</u>	<u>2,561,333</u>	<u>43,886,577</u>	<u>42,081,930</u>	<u>1,276,381</u>	<u>43,358,311</u>

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

(Unit: Baht)

	Consolidated financial statements					
	2012			2011		
	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total
Current service cost	12,950,606	397,147	13,347,753	12,900,074	386,568	13,286,642
Interest cost	4,654,589	109,199	4,763,788	4,431,218	111,207	4,542,425
Transitional liability recognised during the year	21,822,707	778,605	22,601,312	21,807,225	778,605	22,585,830
Total expense recognized in profit or loss	39,427,902	1,284,951	40,712,853	39,138,517	1,276,380	40,414,897
Line items under which such expenses are included in profit or loss						
Cost of sales			25,377,343			24,794,018
Selling and administrative expenses			15,335,510			15,620,879

(Unit: Baht)

	Separate financial statements					
	2012			2011		
	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total	Provision for employee retirement benefit under labor law	Other long- term employee benefits	Total
Current service cost	8,188,068	397,147	8,585,215	8,395,251	386,568	8,781,819
Interest cost	2,979,566	109,199	3,088,765	2,888,919	111,207	3,000,126
Transitional liability recognised during the year	12,181,688	778,605	12,960,293	12,166,211	778,605	12,944,816
Total expense recognized in profit or loss	23,349,322	1,284,951	24,634,273	23,450,381	1,276,380	24,726,761
Line items under which such expenses are included in profit or loss						
Cost of sales			12,106,754			11,971,691
Selling and administrative expenses			12,527,519			12,755,070

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.1	3.1	3.1	3.1
Future salary increase rate (depending on age)	5.0	5.0	5.0	5.0
Staff turnover rate	0 - 80	0 - 80	0 - 45	0 - 45

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

(Unit: Million Baht)

	Defined benefit obligation					
	Consolidated financial statements			Separate financial statements		
	Provision for employee retirement benefit under labor law	Other long-term employee benefits	Total	Provision for employee retirement benefit under labor law	Other long-term employee benefits	Total
Year 2012	162	4	166	102	4	106
Year 2011	155	4	159	101	4	105
Year 2010	148	4	152	97	4	101
Year 2009	133	4	137	87	4	91

24 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net 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.

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

25. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Salary and wages and other employee benefits	803,312,689	714,318,027	275,091,179	271,278,178
Depreciation and amortisation expenses	251,118,260	237,163,840	87,348,465	85,812,293
Transportation expenses	176,906,680	170,119,547	89,817,095	83,876,753
Promotion expenses	111,233,655	97,947,117	111,233,655	97,947,117
Repair and maintenance expenses	99,719,128	68,481,128	26,773,758	15,265,675
Rental expenses from operating lease agreements	27,236,404	33,688,060	7,557,146	9,384,815
Raw materials and consumables used	6,202,724,558	8,040,075,072	4,390,512,329	6,495,354,790
Changes in inventories of finished goods and work in process	73,424,647	507,620,052	302,865,016	526,436,083

26 Income tax

Income tax expense for the year has been calculated on the Company's profit after adding back certain expenses which are disallowable for tax purposes less dividend income received from a subsidiary company. There is no income tax expense for the year 2011 since the results of taxable profit calculation after adjusting the above mentioned items are resulted in loss.

27. 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>
1179/2543	Manufacture of crude palm oil, crude palm kernel oil and crude coconut oil (expired in November 2008)
1292(2)/2547	Manufacture of margarine or shortening
1815(2)/2549	Manufacture of crude palm oil
1013(9)/2551	Manufacture of electricity from biogases
2093(2)/2550	Manufacture pure vegetable oil

Subsidiaries

<u>Certificate No.</u>	<u>Operation</u>
1817/2539	Manufacture of crude palm kernel oil (expired in March 2006)
1043(2)/2548	Manufacture of crude palm oil and palm kernel seed
2088(2)/2547	Manufacture of fruits and vegetables
2121(2)/2547	Manufacture of fruits and vegetables in to products and fermented soybeans
2112(5)/2547	Manufacture of frozen fruits and vegetables
2245(9)/2550	Manufacture of electricity from biogases

Jointly controlled entity

<u>Certificate No.</u>	<u>Operation</u>
1262(2)/2550	Manufacture of palm seed (has not yet begun utilizing the promotional privileges)

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. 1292(2)/2547, 1815(2)/2549, 2093(2)/2550, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547, 2112(5)/2547 and 1262(2)/2550, 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).

In addition, income of the Company and its subsidiaries derived thereafter from the promoted operations will be subject to income tax at a reduced rate of 50 percent of the normal tax rate for a further period of five years (except certificate No. 1292(2)/2547, 1815(2)/2549, 1013(9)/2551, 2093(2)/2550, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547, 2112(5)/2547, 2245(9)/2550 and 1262(2)/2550).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2012 and 2011 were as follows:

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	2012	2011	2012	2011	2012	2011
Sales						
Domestic sales	1,921,631,913	842,518,277	4,197,277,893	6,430,040,350	6,118,909,806	7,272,558,627
Export sales	24,167,849	3,910,000	240,775,245	254,420,861	264,943,094	258,330,861
Total sales	<u>1,945,799,762</u>	<u>846,428,277</u>	<u>4,438,053,138</u>	<u>6,684,461,211</u>	<u>6,383,852,900</u>	<u>7,530,889,488</u>

28. 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 year ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Profit attributable to equity holders of the parent (thousand Baht)	277,783	168,181	325,344	134,441
Weighted average number of ordinary shares (thousand shares)	820,000	820,000	820,000	820,000
Earnings per share (Baht/share)	0.34	0.21	0.40	0.16

29. Segment information

The Company's and its subsidiaries' business operations involve three principal segments (1) manufacture and distribution of palm oil (2) manufacture and distribution of processed fruits and vegetables and (3) generation of electricity from biogases. These activities are carried on in the single-geographic area in Thailand. During the year, there was no material activities pertaining to the generation of electricity from biogases segment for the Company and the subsidiary companies. Accordingly, most of revenues, income and assets as reflected in these financial statements pertain to the industry segment (1) and the industry segment (2) mentioned above. The financial information by segment of the Company and its subsidiaries for the years ended 31 December 2012 and 2011 were as follows:

(Unit: Million Baht)

	Segment									
	Palm oil		Processed fruits and vegetables		Total		Elimination of inter- segment revenues		Consolidated	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue from external										
customers	5,657	6,980	1,955	1,905	7,612	8,885	-	-	7,612	8,885
Intersegment revenues	1,379	1,180	779	745	2,158	1,925	(2,158)	(1,925)	-	-
Total revenues	<u>7,035</u>	<u>8,160</u>	<u>2,734</u>	<u>2,650</u>	<u>9,770</u>	<u>10,810</u>	<u>(2,158)</u>	<u>(1,925)</u>	<u>7,612</u>	<u>8,885</u>
Segment income	833	957	364	299	1,197	1,256	3	(20)	1,200	1,236
Unallocated income and expenses:										
Other income									128	104
Selling expenses									(557)	(592)
Administrative expenses									(212)	(250)
Finance cost									(74)	(84)
Income tax expenses									(110)	(142)
Non-controlling interests										
of the subsidiaries									(97)	(104)
Profit for the year attributable to equity holders of the Company									<u>278</u>	<u>168</u>

(Unit: Million Baht)

	Segment									
	Palm oil		Processed fruits and vegetables		Total		Elimination of inter- segment revenues		Consolidated	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Property, plant and										
equipment - net	1,146	1,188	719	688	1,865	1,876	-	-	1,865	1,876
Unallocated assets	3,632	4,337	1,012	783	4,644	5,120	(1,327)	(1,325)	3,317	3,795
Total assets	<u>4,778</u>	<u>5,525</u>	<u>1,731</u>	<u>1,471</u>	<u>6,509</u>	<u>6,996</u>	<u>(1,327)</u>	<u>(1,325)</u>	<u>5,182</u>	<u>5,671</u>

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

30. 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.

During the year 2012, total amount of approximately of Baht 10.4 million (2011: Baht 9.6 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 5.5 million had been contributed by the Company (2011: Baht 5.8 million).

31. Dividend

	<u>Approved by</u>	<u>Total dividends</u>	(Unit: Baht) <u>Dividend per share</u>
<u>The Company</u>			
<u>For the year 2011</u>			
Final dividend on 2010 income	Annual General Meeting of the shareholders on 27 April 2011	122,998,711	0.15
Total dividend for the year 2011		<u>122,998,711</u>	<u>0.15</u>
<u>For the year 2012</u>			
Final dividend on 2011 income	Annual General Meeting of the shareholders on 27 April 2012	65,598,752	0.08
Total dividend for the year 2012		<u>65,598,752</u>	<u>0.08</u>

On 27 April 2012, the Annual General Meeting of the Company's shareholders passed a resolution to approve a dividend payment in respect of the 2011 income to the Company's shareholders at Baht 0.08 per share, totaling Baht 65,600,000. However, the Thailand Securities Depository Company Limited notified the Company that certain shareholders were not entitled to receive dividend amounting to approximately Baht 1,248. The dividend payment of Baht 65,598,752 was made in May 2012.

		(Unit: Baht)
	<u>Approved by</u>	<u>Total dividends</u> <u>Dividend per share</u>
<u>Subsidiary</u>		
<u>For the year 2011</u>		
Final dividend on 2010 income	Annual General Meeting of the shareholders on 27 April 2011	48,607,200 0.15
Interim dividends on income for the period from January to June 2011	Board of Directors' Meeting on 8 August 2011	97,214,400 0.30
Interim dividends on income for the period from July to September 2011	Board of Directors' Meeting on 10 November 2011	97,214,400 0.30
Total dividend for the year 2011		243,036,000 0.75
<u>For the year 2012</u>		
Final dividend on 2011 income	Annual General Meeting of the shareholders on 27 April 2012	162,025,000 0.50
Interim dividends on income for the period from January to June 2012	Board of Directors' Meeting on 9 August 2012	97,215,000 0.30
Interim dividends on income for the period from July to September 2012	Board of Directors' Meeting on 8 November 2012	97,215,000 0.30
Total dividend for the year 2012		356,440,000 1.10

32. Commitments and contingent liabilities

32.1 Capital commitments

As at 31 December 2012, the Company and its subsidiaries had capital expenditures under the agreements and purchase orders for purchase of building, machinery equipment and vehicle including services payable in the future amounting to approximately Baht 41.3 million (2011: Baht 42.0 million) the Company only: Baht 3.9 million (2011: Baht 16.1 million).

32.2 Operating lease commitments

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

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

	(Unit: Million Baht)	
	<u>2012</u>	<u>2011</u>
Payable within:		
Less than 1 year	9.8	5.5
More than 1 year but not over 5 years	2.8	0.4

32.3 Long-term service commitments

Under the agreements with a foreign shareholder in relation to the use of its trademark in the production and distribution of palm oil seed, the jointly controlled entity of a subsidiary is obliged to pay royalty fees calculated as a percentage of the net annual sales of the products, as defined in the agreements. The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

32.4 Guarantees

As at 31 December 2012, there were outstanding bank guarantees of approximately Baht 18.8 million (2011: Baht 16.7 million) 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 18.8 million to guarantee import, electricity usage, among others (2011: Baht 1.2 million to guarantee payments due to domestic creditors and Baht 15.5 million to guarantee electricity usage, among others) the Company only: Baht 10 million to guarantee electricity usage, among others (2011: Baht 1.2 million to guarantee payments due to domestic creditors and Baht 7.9 million to guarantee electricity usage, among others).

32.5 Contingent liabilities

- (1) In January 2006, the Company was sued by the Metropolitan Electricity Authority (MEA) for payment of additional electricity expenses totaling approximately Baht 7.1 million for the 18-month period from 30 June 2002 to 30 November 2003. In October 2005, MEA received Baht 2.9 million from the bank which was guarantor for electricity payment, leaving an outstanding payable amount of Baht 4.2 million. In September 2006, the Civil Court judged that the Company was liable for the electric payment of November 2003 plus interest of approximately Baht 0.5 million to the plaintiff. The Company filed an appeal against the judgment with the Appeal Court. On 16 February 2011, the Appeal Court dismissed this case. However, the Company countersued to recover the guarantee amount from the MEA because the Company did not have any outstanding late electricity payments due to the MEA as per the guarantee issued by the bank, but the claim made was a retrospective claim for additional payments. In October 2006, the Civil Court delivered the judgment ordering the MEA to refund the Baht 2.9 million guarantee plus interest to the Company. In January 2011, the Appeal Court issued a new ruling ordering the MEA to refund Baht 2.5 million to the Company after deducting the electricity fee for the period from 5 to 30 November 2003 of approximately Baht 0.4 million. Currently, the cases are before the Supreme Court.
- (2) 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. The result of this matter is not known at this time.
- (3) 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 land plots represent 3 percent of the total planted area of the Company. 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 Company 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 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.

- (4) In 2008, the subsidiaries received notification from the Surat Thani Provincial Office of Natural Resources, ordering it to enter into a memorandum of acknowledgement and consent to comply with the conditions of the Forestry Department's 2005 regulation concerning permission to exploit National Forest land, to lodge an application for permission to gather forest produce in accordance with Section 15 of the National Forest Act 1964, and to pay official royalty fees at the rate of 10 percent of the market price of palm oil and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the palm oil crops planted.

On 6 August 2009, the subsidiaries entered into a memorandum of acknowledgement and consent to comply with the conditions stipulated by the Forestry Department. On 18 December 2009, the subsidiaries lodged an application for permission to gather forest produce in a National Forest. At present, the relevant government agencies are processing the application.

33. Financial instruments

33.1 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 accounts receivable, loans, investments, and short-term and long-term loans. 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. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, 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, bank overdrafts, current investments, 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 2012 and 2011 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 2012

	Fixed interest rate				Total	Interest rate (% p.a.)
	Within one year	More than one year but within four years	Floating interest rate	Non- interest bearing		
Financial assets						
Bank deposits	-	-	144	4	148	0.10 - 0.75
Investments in Bank of Thailand						
Bond	110	-	-	-	110	2.70 - 2.72
Trade and other receivables	-	-	-	902	902	
	<u>110</u>	<u>-</u>	<u>144</u>	<u>906</u>	<u>1,160</u>	
Financial liabilities						
Short-term loans from financial institutions	-	-	1,689	-	1,689	2.00 - 4.00
Trade and other payables	-	-	-	317	317	-
Short-term loan from related party	-	-	50	-	50	THBFIX + 0.50
Long-term loans	28	2	55	-	85	5.70, THBFIX + Fixed rate
	<u>28</u>	<u>2</u>	<u>1,794</u>	<u>317</u>	<u>2,141</u>	

(Unit: Million Baht)

As at 31 December 2011

	Fixed interest rate				Total	Interest rate (% p.a.)
	Within one year	More than one year but within four years	Floating interest rate	Non- interest bearing		
Financial assets						
Bank deposits	-	-	247	9	256	0.10 - 0.75
Investments in Bank of Thailand						
Bond	250	-	-	-	250	3.03 - 3.13
Trade and other receivables	-	-	-	1,070	1,070	-
	<u>250</u>	<u>-</u>	<u>247</u>	<u>1,079</u>	<u>1,576</u>	
Financial liabilities						
Short-term loans from financial institutions	-	-	2,200	-	2,200	3.43 - 4.25
Trade and other payables	-	-	-	439	439	-
Liabilities under finance lease agreements	1	-	-	-	1	4.78 - 5.95
Short-term loan from related party	-	-	50	-	50	THBFIX + 0.50
Long-term loans	28	30	95	-	153	5.70, THBFIX + Fixed rate
	<u>29</u>	<u>30</u>	<u>2,345</u>	<u>439</u>	<u>2,843</u>	

As at 31 December 2012 and 2011, the subsidiary of the subsidiary had outstanding interest rate swap agreement as detailed below:

Contract date	Due date	Notional amount	Interest rate in the	
			original loan agreement	Interest rate in the swap agreement
		(Million Baht)	(Percent)	(Percent)
<u>2012</u>				
January 2009	February 2014	30.02	THBFIX plus fixed rate	Fixed rate
<u>2011</u>				
December 2008	February 2014	86.18	THBFIX plus fixed rate	Fixed rate

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollars	2.4	2.1	1.2	0.9	30.6316	31.6912
Euro	0.3	0.1	-	-	40.5563	40.7150

Forward exchange contracts outstanding are summarised below.

As at 31 December 2012				
Foreign currency	Sold amount		Contractual exchange rate of sold amount	Contractual maturity date
	Consolidated financial statements	Separate financial statements		
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollars	1.8	-	30.56 - 31.70	In July 2014
Euro	0.1	-	39.45	In May 2014

As at 31 December 2011

Foreign currency	Sold amount		Contractual exchange rate of sold amount	Contractual maturity date
	Consolidated financial statements	Separate financial statements		
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollars	7.0	1.5	30.26 - 31.88	Within January - July 2012

33.2 Fair values of financial instruments

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

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

The subsidiary had unrealised loss on changes in the value of forward exchange contracts to present them at fair value totaling Baht 0.2 million (2011: Baht 3.7 million), and had unrealised loss on interest rate swap agreement to present it at fair value totaling Baht 0.4 million (2011: Baht 1.1 million).

34. 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 2012, the Group's debt-to-equity ratio was 0.91:1 (2011: 1.26:1) and the Company's was 0.50:1 (2011: 0.99:1).

35. Event after the reporting period

On 22 February 2013, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.2 per share in respect of 2012 earnings, or a total of Baht 164 million.

On 21 February 2013, a meeting of the subsidiary's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.3 per share in respect of October to December 2012 earnings, or a total of Baht 97 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.

36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2013.