



# ANNUAL REPORT 2013

Lam Soon (Thailand) Public Company Limited



RESPONSIBILITY // QUALITY // HEALTHY // WELLNESS

# ANNUAL REPORT 2013 OF LAM SOON (THAILAND) PLC.

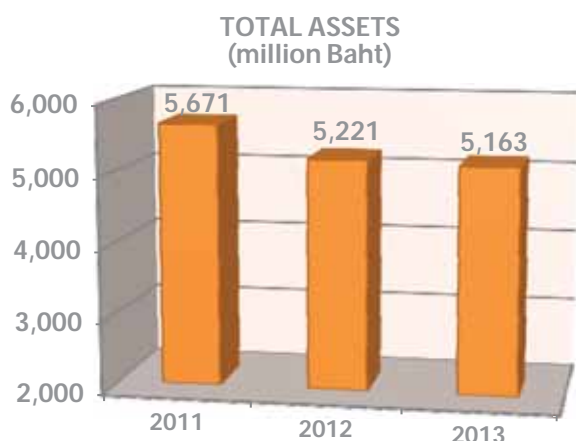
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Investors can study more information of the Company from  
the Annual Registration Statement (FORM 56-1) published on  
[www.sec.or.th](http://www.sec.or.th) or [www.lamsoon.co.th](http://www.lamsoon.co.th)

# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : million Baht)

	2011 <sup>#</sup>	2012	2013
Total Assets	5,671	5,221	5,163
Total Liabilities	3,163	2,468	2,311
Shareholders' Equity	2,508	2,753	2,852
Sales	8,885	7,612	7,243
Total Revenues	8,989	7,740	7,343
Gross Profit	1,236	1,200	1,309
Net Profit of equity holders of the Company	168	273	250



**Total assets** decreased by 1.12% mainly because:-

1) **Cash and cash equivalents** at Group level decreased by 25.54 million Baht or 9.85% to 233.72 million Baht,

2) **Trade A/R** increased by 110.61 million Baht to 1,005.87 million Baht

3) **Inventory** decreased by 463.19 million Baht, caused by higher raw material price then stock being reduced.

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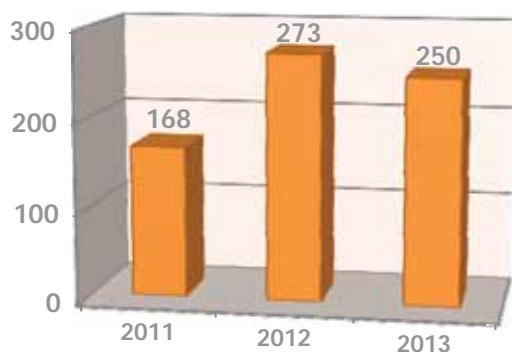
**Total revenues** decreased by 397.34 million Baht from:-

- Sales of LST products decreased by 463.88 million Baht or 8.44%,

- At its subsidiaries, sales increased by 95.06 million Baht or 4.50%.

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**NET PROFIT**  
(attributable to equity holders of the Company)  
(million Baht)

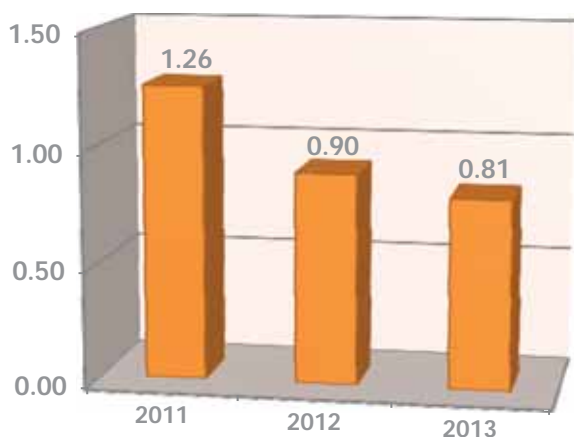


**Net profit (attributable to equity holders of the Company)** decreased by 22.70 million Baht or 8.31% with lower net profit margin of 3.41%.

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# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

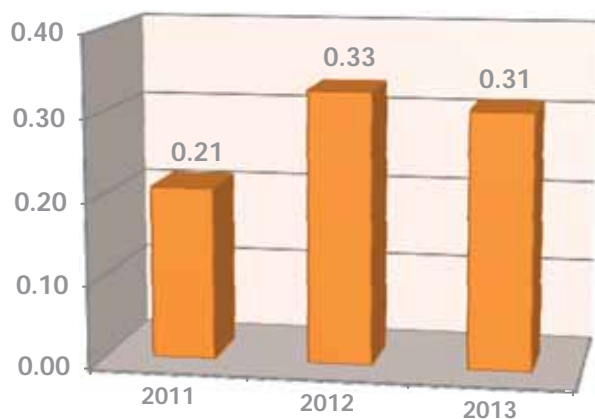
**TOTAL DEBT TO EQUITY RATIO**  
(Times)



*Total debt to equity ratio decreased to 0.81 times in 2013 (2012 : 0.90 times).*

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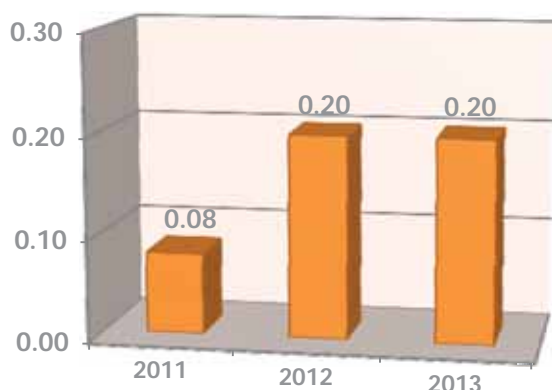
**EARNINGS PER SHARE**  
(Baht)



*Earnings per share : was down from 0.33 to 0.31 Baht per share.*

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**DIVIDEND PER SHARE**  
(Baht)



*Dividend per share : Pursuant to the resolution of BOD meeting on 21 Feb 14, dividend per share of 0.20 Baht is proposed to be paid for the financial year 2013, subject to approval at AGM no. 1/2014.*

*This would represent a payout ratio of 42.6% 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 : %)

	2011 <sup>#</sup>	2012	2013
Net Profit Margin	1.87	3.53	3.41
Return on Equity	11.04	14.08	11.12
Return on Total Assets	5.19	6.80	6.00

## PER SHARE DATA

(Unit : Baht)

	2011 <sup>#</sup>	2012	2013
Earnings per Share	0.21	0.33	0.31
Dividend Paid per Share	0.15	0.08	0.20
Dividend per Share (operational year)	0.08	0.20	0.20 <sup>(i)</sup>
Book Value per Share	2.63 <sup>(ii)</sup>	2.97 <sup>(ii)</sup>	3.24 <sup>(ii)</sup>

Notes : <sup>#</sup> Before restatement as a result of the adoption of TAS 12: Income taxes

<sup>(i)</sup> According to the resolution of BOD meeting on 21 February 2014, to be proposed to AGM no.1/2014.

<sup>(ii)</sup> Based on the Company only

## LST SHARE PRICE MOVEMENT IN 2013





In 2013, Mr. Somchai Chongsawadchai, the former Vice Chairman and Managing Director, passed away at the age of 54. During his 25 year career serving your Company, Mr. Somchai had tirelessly devoted himself to the Company and played a significant role in the transformation of your Company from a small enterprise to a well-established public listed company. Besides being the driving force behind your Company's success today, he also contributed to the development of the palm oil industry in Thailand, serving as the President of Thai Palm Oil Refinery Association during 1997 – 1998, and the Vice President of Thai Palm Oil Crushing Mill Association during 2002 – 2013.

The Board of Directors appointed Ms. Anchalee Suebchantasiri to be Managing Director to replace Mr. Somchai, with effect from 1 November 2013. Ms. Anchalee had served the Company as Executive Director and Finance Manager for 20 years along Mr. Somchai and has vast experience and knowledge in the edible oil industry.

### **Industry Overview**

In December 2012, accumulated CPO stock balance reached a high of 362,267 MT causing CPO and FFB prices to collapse rapidly. Growers started to protest. Eventually, at the beginning of 2013 CPO and FFB prices were set at 25 and 4 Baht/kg, respectively (at 17% OER) under the Government project "absorption of CPO volume from the market in 2012/13". After that, CPO price varied between 23 – 25 Baht/Kg until the end of 2013 when the price jumped to around 28 – 33 Baht/Kg as nationwide CPO stock fell from 384,818 MT in January to 203,999 MT in December. Bio-diesel business was preparing to produce B7 in accordance with the government policy, which was to be implemented on 1 January 2014. However, with CPO stock dropping to below 200,000 MT at the end of 2013 and early 2014, the Ministry of Energy reduced the proportion of CPO to be blended into diesel from 5% to 4% effect on 1 February 2014, and delayed B7 implementation, to ease the affect on food industry and price pressure.

### **Company's Performance**

2013 was another year of remarkable operating performance. Your Company recorded a net profit of 385.42 million Baht in 2013, an increase of 21.16% comparing to 2012 (2012 : 318.10 million Baht); on a revenue of around 5,859 million Baht, decreasing by 8.22% compared to 6,384 million Baht in 2012.

### **Production and Investment**

In 2013, the Group invested mostly in projects carried forward from the previous year. Although there were no major investment projects, the Company achieved a number of important quality management systems, which included:-

- FSSC 22000, being a standard developed for the certification of quality standard and food safety. It covers the standard of ISO 22000 and PAS 220, which is globally accepted.
- ISO 28000, being a standard of a security management system particularly dealing with security assurance in the supply chain.

Such certifications underscore your Company commitment to create client satisfaction and confidence by focusing on its responsibility and client's need by improving quality of the products pursuant to the standard from the various quality management systems. As a consequence, presently the Company has achieved the quality management systems namely ISO 9001:2008, GMP, HACCP, ISO 14001:2004, TIS 18001:2011, OHSAS 18001:2007, RSPO, TLS 8001, ISO 28000:2007 and FSSC 22000 (ISO 22000:2005 + PAS 220:2008).

Following a strategic review, Union Frost Co., Ltd (UNF), a subsidiary of Universal Food Public Company Limited, was deemed non-core to the Group business and the decision was made to downsize the operations. Packing operation from semi-finished to finished goods continue to meet customers' orders.

### **Marketing**

The Company values brand building over pricing competition. We accordingly focus on strategies to build awareness and recognition of the brand to consumers through television media and in-store media. The message conveyed is that Jade (or Yok) is an expert of frying. For Naturel, the company provides health information to its target audience and implements the activities that communicate directly to the target audience, such as Facebook, Office Road Shows, and Hospital Road Shows. For margarine and shortening categories, we expanded our consumer base to users in hotel (sous chef) by joining the Thai Chef Association and participate in their the activities.

In addition, in 2013, our subsidiary Universal Food Public Company Limited introduced new product variants including canned sweet corn kernels, UFC REFRESH Asian favorites "Chrysanthemum plus Lo Han Gua" in 240 ml. aluminum cans and HOMESOY original soy milk with black sesame in 300 ml. plastic bottle. Sales of UFC 100% coconut water continued to enjoy strong growth in the export market. To meet growing demand for coconut water, UFC invested in 2 new Tetra Prisma Aseptic lines; both were commissioned and operational in December 2013.

### **Responsibility to Community, Society and the Environment**

Your Company recognises the importance of community, social and environmental responsibility together with conducting the business. The major projects of 2013 include:-

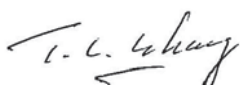
- Local activities to enhance your Company's image and develop relationship between its crushing mill and nearby communities
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Donation for relief of natural disaster victims
- Held the meeting to promote RSPO Smallholder to palm farmer, and to educate the principles and criteria of RSPO standards according to the Company's project to promote the sustainable plantation, to focus on the fruit quality to supply to the mill, and to measure for the land ownership of farmers in order to conform to the RSPO standard.

### **Human Resources and Corporate Culture**

Our employees are a valuable resource. We are committed to developing the potential of all employees to become professionals under code of business conduct and moral standards including to work under five aspects of organisational culture.

1. "Can Do" attitude
2. Accountability
3. Team work
4. Take care of people
5. Continuous improvement

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



Ms. Anchalee Suebchantasiri  
Managing Director

## REPORT OF THE AUDIT COMMITTEE

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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. Jirasuda Sumpaotong	Secretary to the Audit Committee and Senior Accounting Manager

In 2013, 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 2013, 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 2013 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. Consideration of the principles of Good Governance for Listed Companies, which Thai Institute of Directors (IOD) and the Stock Exchange of Thailand (SET) updated and improved to meet the standards of ASEAN CG Scorecard. The new system would be used for the 2014 evaluation, to evaluate the performance of 2013;
6. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
7. Proposal to the Board of Directors for approval at the 2014 annual general meeting of shareholders, the appointment of Ernst & Young Office Limited to be the statutory auditor of the Company for 2014 including appropriate remuneration;
8. 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  
18 February 2014



## REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

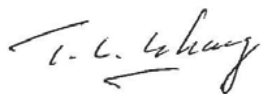
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The Board of Directors of the Company considered the consolidated financial statements of the Company and its subsidiaries, including information as shown in the Annual Report, and concluded that the financial statements have been prepared under generally 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 2013 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, 2013.

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



Ms. Anchalee Suebchantasiri  
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, 2) Equitable Treatment of Shareholders, 3) Role of Stakeholders, 4) Disclosure and Transparency, 5) Board Responsibilities.

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

- 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.
- For Annual General Meeting of Shareholders (AGM), LST shall separate the agendas between the appointment of directors and the director's remuneration. The Company provides the ballot to shareholders to use for proposing candidates and voting directors as an individual.
- 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.
- LST shall disclose the Board resolutions regarding the determination of AGM date and the meeting agendas with the reasonable details through the SET online system and the Company's website no later than the next working day after the Board having resolution.
- 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 21 days prior to the date of the meeting.
- 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, and it is our policy not to add items to the agenda without advance notice to shareholders.
- 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 ensure that shareholders have the opportunity to propose the agenda for AGM as it deems material and beneficial including to propose candidate for selection as Director in advance, and to submit questions which are related to the Company prior the meeting date, the procedures of which are published on the Company's website.
- Adequate time shall be allocated for the meeting and equal opportunities provided for shareholders to express their opinions and ask questions.

# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- The Company's policy to facilitate and encourage shareholders to attend and participate at the shareholders' meetings has been established and posted on its website.
- LST shall post meeting documents and meeting notices in both Thai and English languages 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.
- LST shall ensure that shareholders have the opportunity to ask questions and 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, once having votes in any respective agenda. Two shareholders are invited to act as witness in the counting of votes, and VDO has been recorded during the meeting until the meeting finishes.
- LST shall disclose the resolutions together with voting result through the SET online system within the next day after the meeting date
- 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. Equitable Treatment of Shareholders

- Regardless of their gender, age, skin color, race, nationality, religion, belief, political preference, or any physical handicap, the Company values all shareholders' investments in it by protecting their fundamental rights equally and fairly, including applies the one share one vote principle to ensure the investment confidence.
- 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.
- The Company establishes the policy for prevention of utilising insider information, and informs the same to employees, executives, and directors (details in item 5.8.1).
- The Company has had business connected transactions with its subsidiary as normal business on fair and at arm's length basis (details in item 5.8.2).

## 3. Role of Stakeholders

LST has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees, 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 as the Company's policy namely Policy and Practice toward stakeholders, and published on the Company's website as follows:-

- Policy and Practice toward employees
- Policy and Practice toward shareholders
- Policy and Practice toward creditors
- Policy and Practice toward customers and consumers
- Policy and Practice toward business partners
- Policy and Practice toward competitors
- Policy and Practice toward society
- Policy and Practice toward environment
- Policy and Practice toward human-right respect
- Policy and Practice toward anti-corruption and bribery
- Policy and Practice toward the intellectual property and copyright

Furthermore, the Company has implemented various standards from the quality management system to enhance focusing on role of stakeholders such as:-

- ISO9001, a quality management system, aiming to the quality assurance and conformity which can be audited and compared with the written working procedure to ensure personnel of the organisation know their roles and responsibilities

## REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- TIS 18001 / OHSAS 18001, a standard for occupational health and safety management systems in working place, being a tool to control and mitigate danger and risk which could negatively affect health, life, and asset
- FSSC 22000 being a standard developed for the certification of quality standard and food safety which can create client confidence and focus on sustainable growth and development. It covers the standard of ISO 22000 and PAS 220, which is global acceptance.
- ISO 28000 being a standard of a security management system particularly dealing with security assurance in the supply chain
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

### 4. 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
  - Policy and Practice toward stakeholders
  - Environment Policy
  - Code of Business Conduct
  - Nature of Business
  - Business Structure
  - Shareholder Structure
  - Structure of the Board of Directors
  - Vision/Mission
  - Articles of Association
  - Annual Report
  - Form 56-1 (Thai version)
  - Financial Statements
  - Meeting notices and meeting documents
  - Minutes of the Shareholder Meetings
  - 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](mailto:company.secretary@lamsoon.co.th) or through the Company's website.

Nevertheless, in case that stakeholders require to do whistle blowing or make any complaints to the Company, the below channels has been set up as the guideline.

## Mechanism for stakeholders to do whistle blowing or make complaints

- 1. LST shall provide channel for stakeholders to do whistle blowing or make complaints :**  
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 whistle blowing 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](mailto:banchong_ch@yahoo.com)
- 2. Protection of informer's identity :** A stakeholder who communicate or make complaints in item 1 will not be required to disclose his name.
- 3. Action after receiving concerns or complaints :** The Audit Committee shall investigate the information and facts given by the informer in item 1 and report to the Board within 30 days of the date receiving the information.
- 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.

## 5. Board Responsibilities

### 5.1 Board of Directors

#### 5.1.1 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.

#### 5.1.2 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.

## 5.1.3 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.

## 5.1.4 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.

## 5.1.5 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.

## 5.1.6 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 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 5.1.6 a "Relevant Entity" means the Company, its parent company, subsidiary, affiliate, jointly controlled entity or juristic person who may have conflicts of interest.

### 5.1.7 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.

### 5.1.8 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 because most of Executive Directors are directors of subsidiaries, associates, jointly controlled entity, or related companies.

### 5.1.9 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.

## 5.2 Sub-committees

### 5.2.1 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.

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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
- (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 2013, the Audit Committee held 4 meetings, with the 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	3/4
(3) Mr. Banchong Chittchang	Independent Director	2011-2014	4/4

### 5.2.2 Remuneration Committee

The Remuneration Committee shall comprise a majority of independent directors at 66.7% 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 2013, the Remuneration Committee held 3 meetings, with the 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	3/3
(2) Mr. Banchong Chittchang	Independent Director	2011-2014	3/3
(3) Mr. Whang Shang Ying	Executive Director	2011-2014	3/3

### 5.2.3 Nomination Committee

The Nomination Committee shall comprise a majority of independent directors at 75% 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.
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 2013, the Nomination Committee held 3 meeting, with the 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	1/3
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director	2011-2014	3/3
(3) Mr. Banchong Chittchang	Independent Director	2011-2014	3/3
(4) Mr. Whang Shang Ying	Executive Director	2011-2014	2/3

### 5.3 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.

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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 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 the matters.

In 2013, the Board of Directors held 4 regular meetings and 2 extra meetings. 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	2013-2016	1/4	1/2	2/6
(2) Mr. Somchai Chongsawadchai <i>(passed away on 11 March 2013)</i>	2010-2013	0/1	1/1	1/2
Ms. Piyathida Sukchan <i>(replaced Mr. Somchai on 26 April 2013)</i>	2013-2016	3/3	0/0	3/3
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	2011-2014	4/4	2/2	6/6
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	2012-2015	3/4	2/2	5/6
(5) Mr. Banchong Chittchang	2011-2014	4/4	2/2	6/6
(6) Datuk Simon Shim Kong Yip	2011-2014	1/4	1/2	2/6
(7) Mr. Whang Shang Ying	2012-2015	4/4	1/2	5/6
(8) Mr. Ampol Simarojana	2013-2016	4/4	2/2	6/6
(9) Ms. Anchalee Suebchantasiri	2012-2015	4/4	2/2	6/6

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 2013, there were 2 meetings of non-executive Directors which were not attended by Executive Directors.

### 5.4 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.

### 5.5 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	2012	2013
Directors fees	9	3,576,000	3,652,700
Audit Committee fees	3	1,134,000	1,179,600
Remuneration Committee fees	3	120,000	126,000
Nomination Committee fees	4	80,000	84,000

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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.

## 2) Remuneration of Executives

The remuneration of Executives shall be in accordance with 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 2013 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	2012		2013	
	Remuneration (Baht)	No. of Persons	Remuneration (Baht)	No. of Persons
Executives	88,935,871	8	95,302,146	9

Apart from salary and bonus, other forms of remuneration include provident fund, retirement fund, 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	2012		2013	
	No. of Persons	Baht	No. of Persons	Baht
As directors of subsidiaries	5	1,721,200	5	2,299,719
As executives of subsidiaries	3	9,662,100	4	6,842,848

## 5.6 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.

## 5.7 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.

## 5.8 Conflict of Interests

### 5.8.1 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.

### 5.8.2 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.

### 5.8.3 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.

## 5.9 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.

In 2013 the Audit Committee approved the Company to employ Dr. Virach & Associates Office to be the Company internal auditors. The internal auditor shall report directly to the Audit Committee every quarter.

## 5.10 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.

## 5.11 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. Mr. Ampol Simarojana act and make decision regarding the factories of the Company and its subsidiaries;
2. Ms. Piyathida Sukchan act and make decision in other matters of the Company and its subsidiaries.

## GENERAL INFORMATION

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### Company Profile

Name of Company	:	Lam Soon (Thailand) Public Company Limited
No. of Registration	:	0107538000568 (formerly Bor Mor Jor 579)
Home Page	:	<a href="http://www.lamsoon.co.th">www.lamsoon.co.th</a>
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 075-267 028
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 054-810 270-4 Fax 054-810 275
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 The Stock Exchange of Thailand Building,  
Ratchadapisek Road, Klongtoey, Klongtoey,  
Bangkok 10110

Tel 02-229 2800  
Fax 02-359 1259

#### 2. Auditor

Name : Ms. Kamontip Lertwitworatep  
Certified Public Accountant No. 4377  
Address : Ernst & Young Office Limited  
33<sup>rd</sup> 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 : 1  
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. Margarine and Shortening
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

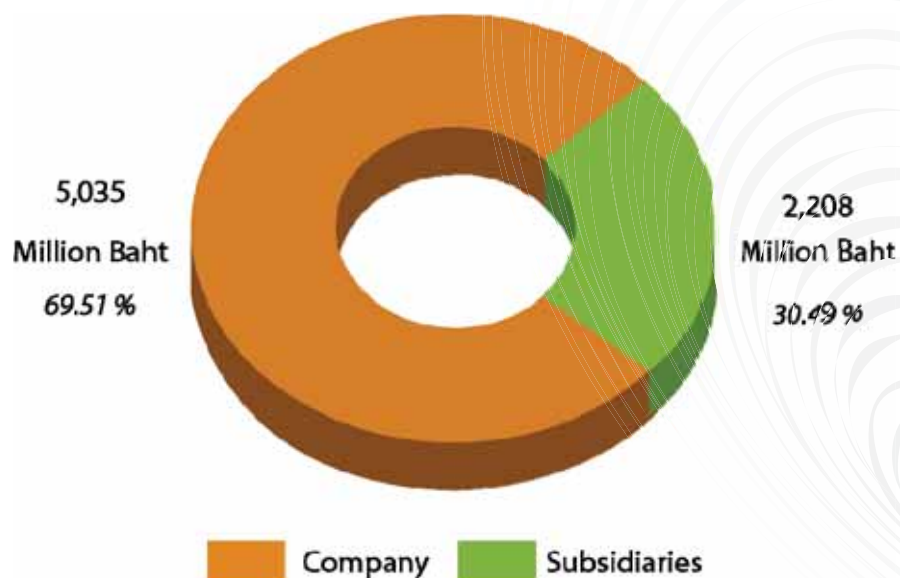
Items 4, 5 and 6 are manufactured by its subsidiary, Universal Food Public Company Limited (UFC)



## NATURE OF BUSINESS

### Revenue structure

	2011		2012		2013	
	Mil.Baht	%	Mil.Baht	%	Mil.Baht	%
LST	6,689.42	75.29	5,498.97	72.24	5,035.09	69.51
Subsidiaries	2,195.66	24.71	2,113.26	27.76	2,208.32	30.49
<b>Total</b>	<b>8,885.08</b>	<b>100.00</b>	<b>7,612.23</b>	<b>100.00</b>	<b>7,243.41</b>	<b>100.00</b>



Product/Services by Group	Operated by	2011		2012		2013	
		Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Vegetable Oil	LST and UPOIC	6,005	67.59	4,876	64.05	4,408	60.86
Margarine & Shortening	LST	658	7.41	593	7.79	593	8.18
Other palm based products	LST and UPOIC	297	3.35	168	2.21	415	5.73
Selling Electricity power to PEA	LST and UPOIC	20	0.23	20	0.26	23	0.32
Fruits and Vegetables	LST and UFC (i)	1,414	15.91	1,300	17.08	1,135	15.66
Beverage	LST and UFC (i)	380	4.27	541	7.10	558	7.70
Sauces and Seasonings and others	LST and UFC (i)	111	1.25	115	1.50	112	1.55
<b>Total Sales - Net</b>		<b>8,885</b>		<b>7,612</b>		<b>7,243</b>	

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

### News Highlights of previous year

#### **Company's Policy : The appointment of Vice-Chairman of the Board, Managing Director, Executive Director, Secretary to the Audit Committee, the Company Secretary**

- The Board Meeting No. 4/2013 on 10 May 2013 resolved to appoint Art-ong Jumsai Na Ayudhya, Ph.D., Chairman of the Audit Committee and Independent Director, to be Vice-Chairman of the Board, replacing Mr. Somchai Chongsawadchai, as proposed by the Nomination Committee, with immediate effect.
- The Board Meeting No. 6/2013 on 8 November 2013 resolved to appoint Ms. Anchalee Suebchantasiri, Executive Director and Finance Manager, to be Managing Director, replacing Mr. Somchai Chongsawadchai, as proposed by the Nomination Committee, with effect from 1st November 2013.
- The Audit Committee Meeting No. 2/2013 on 10 May 2013 resolved to appoint Ms. Jirasuda Sumpaotong, Senior Accounting Manager, to be Secretary to the Audit Committee, replacing Ms. Anchalee Suebchantasiri, with immediate effect.
- At the Annual General Meeting of Shareholders No. 1/2013 held on 26 April 2013, it was resolved to appoint Ms. Piyathida Sukchan as a Director, replacing Mr. Somchai Chongsawadchai, as proposed by the Board of Directors.
- The Board Meeting No. 1/2014 on 21 February 2014 resolved to appoint Ms. Jirasuda Sumpaotong, Senior Accounting Manager, to be the Company Secretary, replacing Ms. Anchalee Suebchantasiri, with immediate effect.

#### **Company's Policy : New Dividend Payout Policy**

- The Board Meeting No. 1/2014 on 21 February 2014 resolved to revise the Dividend Payout Policy from "The Company's policy is to pay dividends to shareholders of an amount not less than 40% of net earnings after tax.", to "**The Company's policy is to pay dividends to shareholders of an amount not less than 40% of its net earnings after tax subject to the Company's future investment and funding requirements.**".

#### **Company's Certification : For social and environmental care**

- The Bangpoo refinery has received FSSC 22000 Certification (food safety system certification) on 28 August 2013.
- The Bangpoo refinery has received ISO 28000: 2007 certification for security management system for the supply chain on 1 October 2013.
- The Bangpoo refinery has renewed the certification of Thai labor standard (TLS.8001: 2010) from the Department of Labor Protection and Welfare. This certification lasts 3 year, and valid until 13 June 2016.

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#### **Marketing : New product launches**

- New UFC product variants introduced in 2013 included canned sweet corn kernels, UFC Refresh Asian favorites "Chrysanthemum plus Lo Han Guo" in 240 ml. aluminum cans and HOMESOY original soy milk with black sesame in 300 ml. plastic bottle.

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### 1. Palm Oil Price Volatility and Interventions from Government Sector

The monthly average price of CPO in 2013 was volatile, ranging between 23.02 and 31.90 Baht/Kg (2012 : 22.95 - 35.90 Baht/Kg). The average price in 2013 was 25.24 Baht/Kg, decreasing by 18.18% from 2012. CPO production in 2013 was the highest volume ever. Accumulated CPO stock balance at the beginning of 2013 became surplus, and CPO and FFB prices collapsed. Therefore, growers started to protest and price intervention was continuously introduced by the Government.

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.

## 2013 Overview

General situation in 2013 is similar to 2012 in terms of quantity produced. In 2013 the total FFB and CPO production in the Kingdom increased slightly from 2012 by 11% and 13% respectively. CPO stock carried forward from end of 2012 was still high at the beginning of 2013 with reaching the highest record in February at 386,302 MT, and maintained at above 300,000 MT until September. As a consequence, the Kingdom CPO prices during January – September varied in between 23 – 25 Baht/Kg., and FFB prices 3 – 4 Baht/Kg. In October 2013, the government unloaded CPO by exporting CPO that was bought from the project “absorption of CPO volume from the market in 2012/13”. Thereafter, CPO stock started to decline to 260,706 MT in October and 203,999 MT at the end of 2013, pushing the CPO price up to 30 - 32 Baht/Kg at the year-end, and FFB price also up to 5.00 – 5.50 Baht/Kg. Economic value of palm oil industry in 2013 was around 53,000 million Baht, decreasing by 9% from 2012 due to the lower price impact.

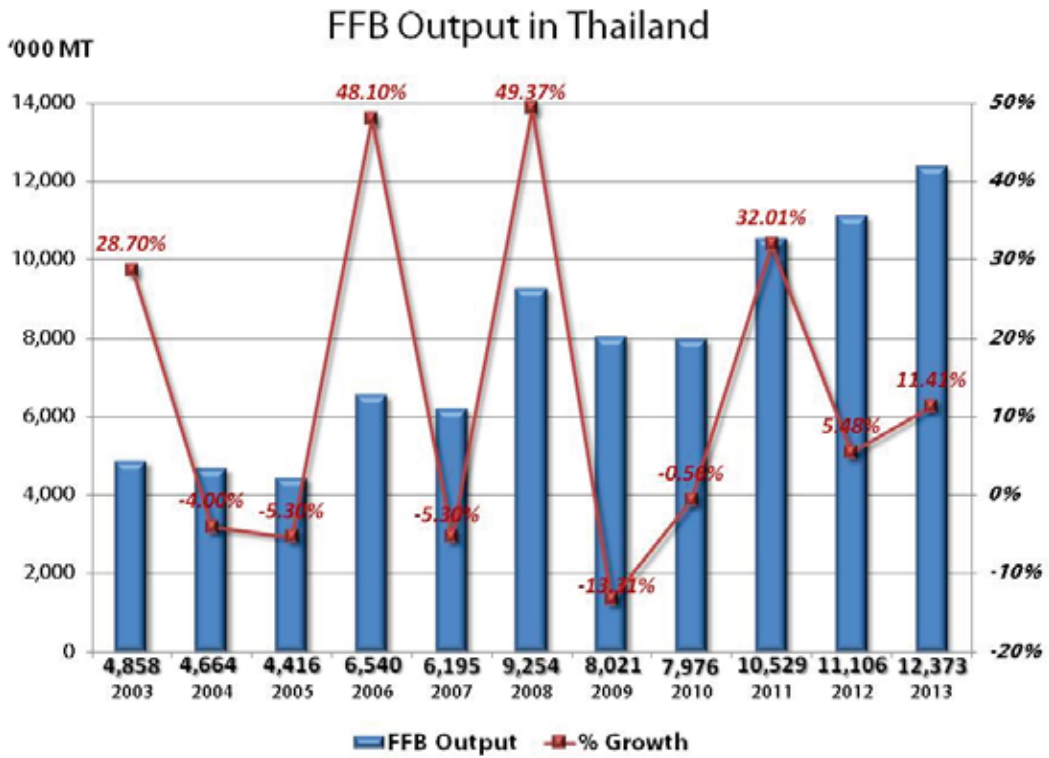
Due to high adaptability and tolerance to stress environment, in addition with its attractive relative profits to other crops, oil palm growing areas have been expanding around 200,000 – 300,000 rais a year. However, the most suitable land region such as the southern and eastern parts apparently has limit areas to expand or convert to oil palm planting. Oil palm has been introduced and planted in other regions of Thailand such as central parts, North/East region and the North. This makes the total area of around 4.5 million rais. But land suitability to oil palm varies and yield can be a half as low as of normal 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 tolerant, disease resistant, and gives early yield. Other than expansion of new area, there is renewal of old mature palm at around 23 - 25 years old with better genetics progress selection planting materials of today advance research and development. This is an opportunity for future improvement in palm oil productivity and efficient land use.

Further to the increase of the state official minimal daily wage with effect from April 2012 that has risen from 184 to 257 Baht in Krabi province. Later in January 2013, the daily wage in Krabi was announced to increase to 300 Baht, which nearly twice as high as the basic rate. As a consequence, the production costs of FFB and CPO, as labour intensive industries, have been increased notably.

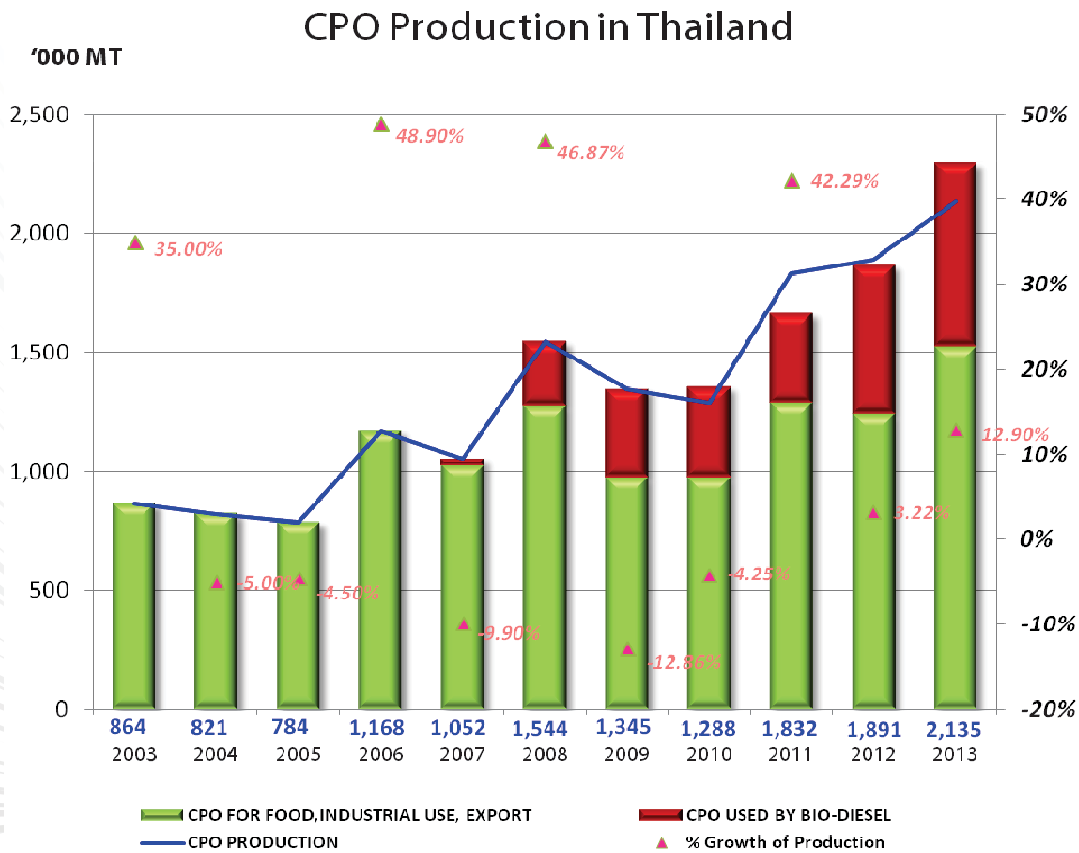
### FFB and CPO

Fresh fruit bunch (FFB) produced in 2013 was 12 million MT which was higher than production in 2012 by 1,266,673 MT or 11.41%. The highest FFB output was 1,155,916 MT in January and the lowest was 717,997 MT in December. The main cause of higher crop was the increasing of mature palm planting areas of at least 200,000 rais. However, drought during the early four months of 2013 was devastating to oil palm inflorescent development that resulted lower yield in late period of the year.

Total Crude Palm Oil (CPO) production in the Kingdom in 2013 of 2,135,183 MT was higher than 2012 for 12.90%; whereas, Oil Extraction Rate (OER) was 17.54% (2013 : 17.29%). The CPO stock at the end of 2013 was 203,999 MT, compared with 362,267 MT at the end of 2012 (figure from the Internal Trade Department). The operational OER was less than optimal due to the vicious circle of uncontrolled intermediary FFB collection ramps over 2,000 units and intense competition among mills in crop procurement.



Source: Internal Trade Department



Source: Internal Trade Department

## Processing capacity

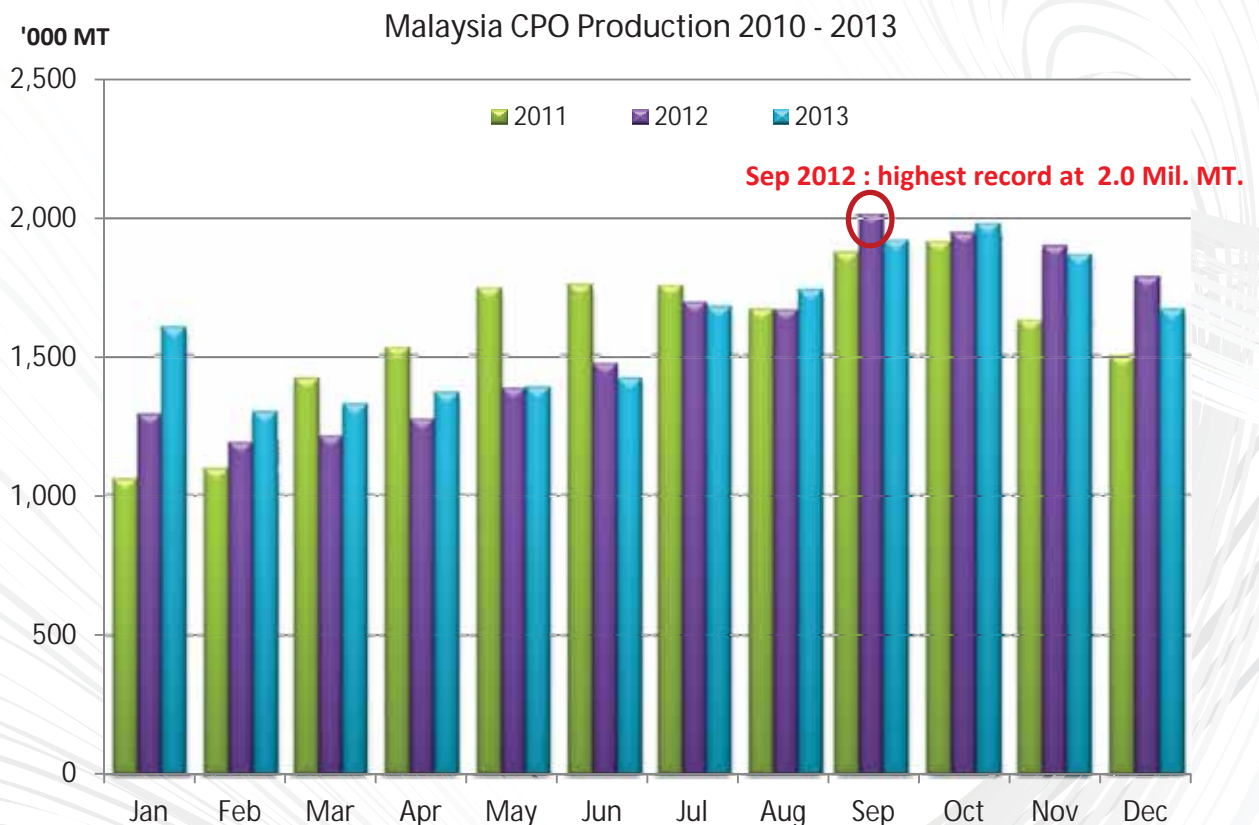
**1. Crushing mills:** The number of CPO crushing mills has increased from 80 in 2012 to about 91 mills at present, giving rise to a current total milling capacity of over 22 million MT of FFB per year. This is significantly higher than the FFB output recorded in 2013 at about 12 million MT; and the capacity utilisation rate of crushing mills was around 55%. Because of the significant imbalance between demand and supply persists, there is price volatility and FFB quality is compromised 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.

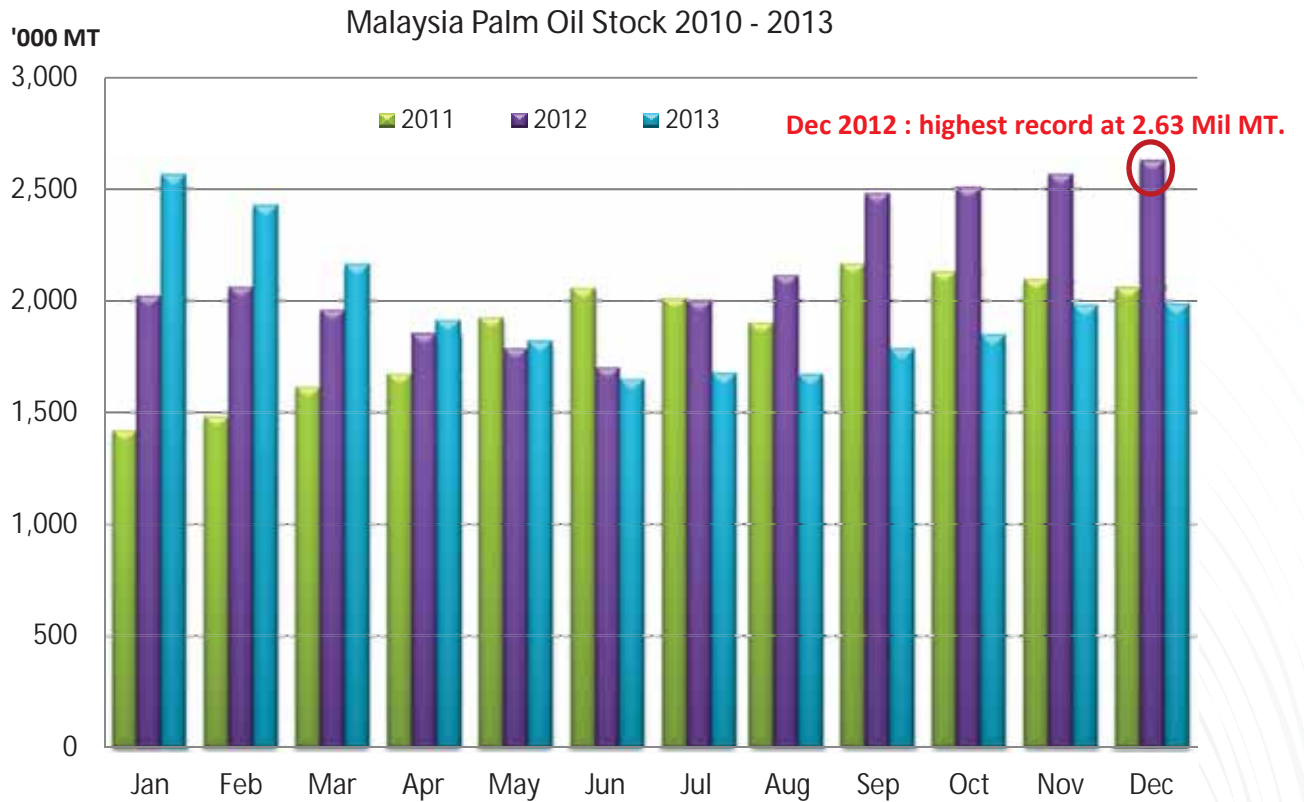
## Market Condition and Palm Oil Price

In 2013, average CPO price in global market dropped for the second consecutive year. The Bursa Malaysia Derivatives : 3rd Month market price reached the lowest at 2,170 RM/MT in July and increased continuously until brought the annual highest at 2,667 RM/MT in December. This made the average annual Bursa Malaysia Derivatives : 3rd Month price 2,416 RM/MT which was less than which in 2012 for 2,958 RM/MT or 18% decrease. The major factors influencing the market condition and palm oil price movement in 2013 included downward pressure from seed oils due to output of seed oil increasing while the demand slow down, despite the fact that CPO output growth has been slower than expected, notably in Indonesia.



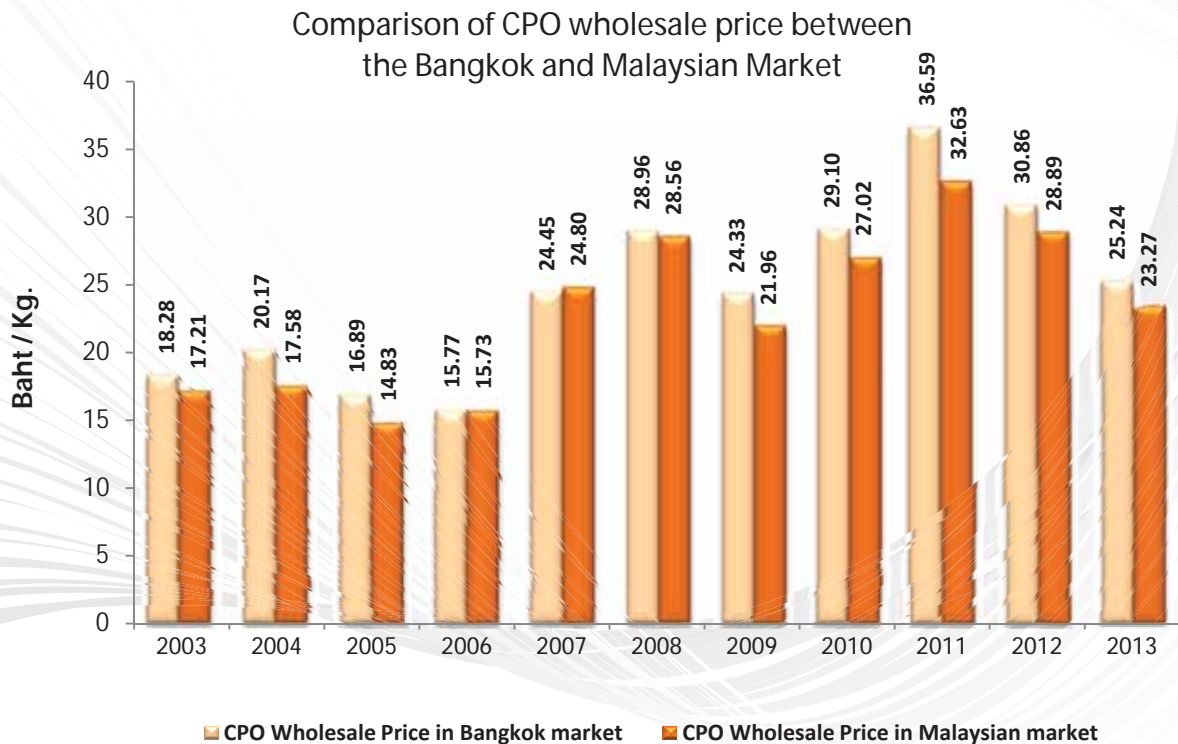
Source : Malaysian Palm Oil Board

# PALM OIL INDUSTRY AND COMPETITIVENESS



Source : Malaysian Palm Oil Board

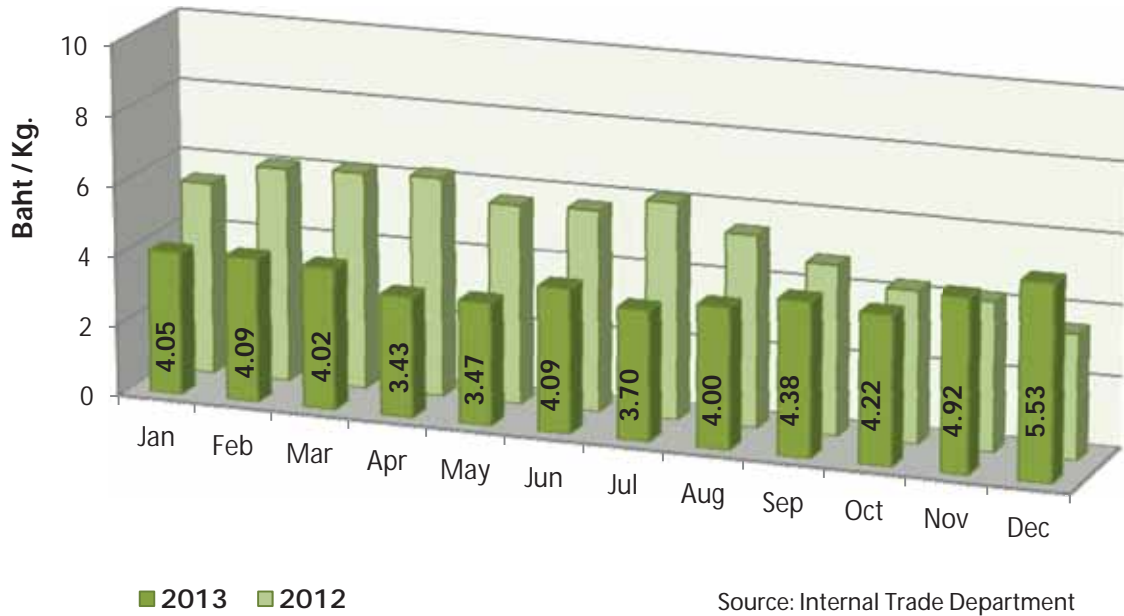
Monthly CPO prices in the Kingdom in 2013 varied between 23.02 - 31.90 Baht/kg (2012 : 22.95 - 35.90 Baht/kg) the same as FFB prices that varied in between 3.43 - 5.53 Baht/kg (2012 : 3.53 - 6.23 Baht/kg) (figures from the Internal Trade Office). The annual average FFB and CPO prices were 4.16 and 25.24 Baht/kg (2012 : 5.31 and 30.86 Baht/kg).



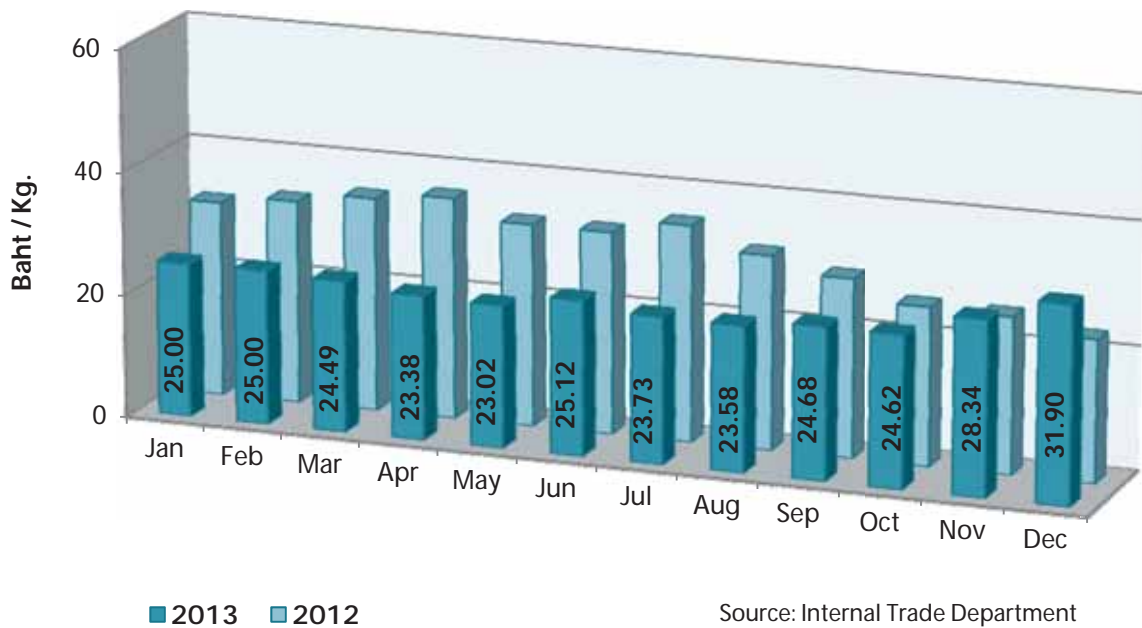
Source : Internal Trade Department



FFB Price movement in 2013  
(17% OER; delivery to major crushing mills)



CPO Price movement in 2013 (Delivery to Refinery)



Palm Oil inventory in the Kingdom seemed to be the major factor overwhelmed the market condition and palm oil price in 2013 especially during the fourth quarter of 2013. Since the beginning of the year when the high stock carried forward from the end of 2012, the stock in February 2013 reached the highest record at 386,302 MT, and maintained at high level until the fourth quarter when the stock started to decline because of 3 following factors.

1. In October, the government exported CPO of 41,000 MT which had been kept in authorised private warehouse since the beginning of the year.

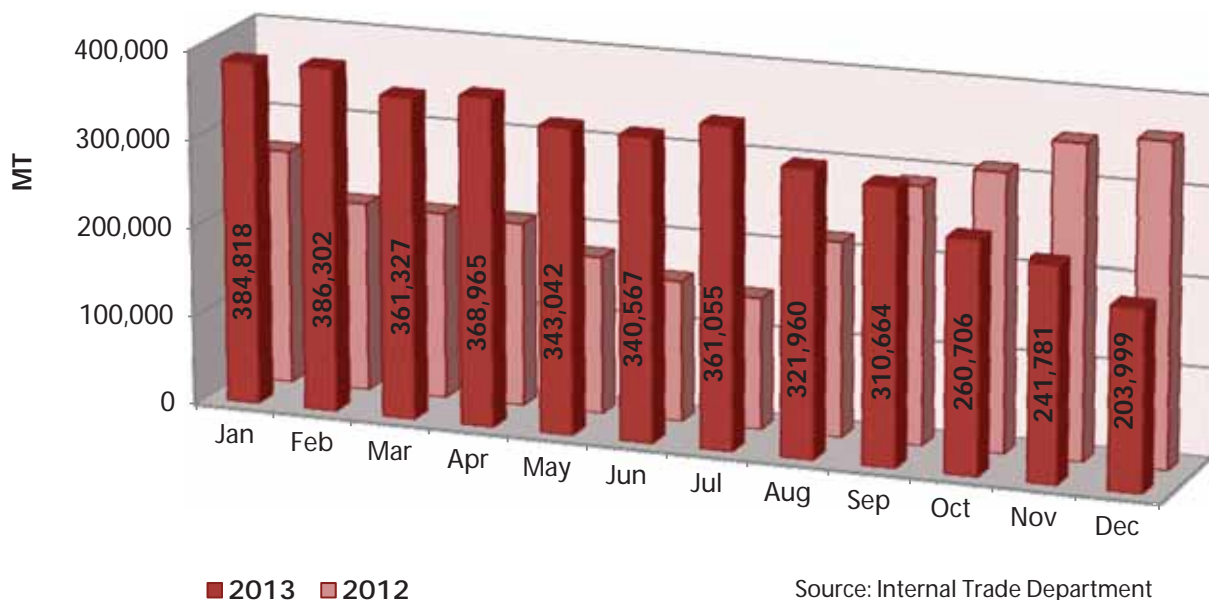
2. B7 mandatory policy, earlier announced to implement on 1 January 2014, pushed up the demand for CPO from Bio-diesel producers as they needed to prepare the B100 stock since November.

3. FFB output reduced sharply during the fourth quarter.

From the above three factors, the CPO stock in the Kingdom fell sharply to 203,999 MT at the end of 2013, resulting in much higher prices of CPO and FFB.

Nevertheless, the government was determined to maintain the optimum CPO stock at 200,000 – 230,000 MT at all times to keep the equilibrium between demand, supply, and palm oil price. Therefore, it announced the delay in implementation of B7, instead applying B4, until March 2014, when the higher crop is expected to come out.

### Stock of CPO Equivalent in 2013



### Palm Oil Production and Price Outlook for 2014

The decreasing FFB quantity and consequent lower CPO volume in the market in the last two months in 2013 caused the FFB price sharply increased; in addition, decreasing in palm oil stock overwhelmed palm oil price remarkably. Such situation will be carried until the upcoming peak FFB crop in the first quarter of 2014. And if the FFB price were to drop below 4 Baht/kg, repeatedly would likely lead to protest by oil palm growers and short term intervention by state government. The solution that considered tangible and longer term is the programme to absorb a certain amount of CPO off the market by adjustable percentage of CPO blending in Bio-diesel to be aligned with the CPO supply situation, which in turn can enhance the price stability of palm oil.

FFB production in 2014 is expected to exceed 13 million MT (2013 : 12 million MT) from the upcoming young mature areas, especially from the 2010 - 2012 plantings. In terms of demand, the edible consumption in 2014 is estimated the same as 2013 at 1 million MT, and the usage from Bio-diesel will be increased of around 200,000 MT to be 800,000 MT, assuming 7% mixture (B7) continues to be implemented for the whole year. In such a scenario, 500,000 - 600,000 MT of palm oil has to be exported to balance demand and supply in the Kingdom, and to maintain the optimum stock balance.

## Factors considered in determining world palm oil industry in 2014

1. Upside potential for CPO prices will be limited by the downtrend from seed oil as EU and US support for Bio-fuel weakens.
2. The world economy is expected to remain subdued in 2014 with the US Federal Reserve 'tapering QE'.
3. Revision of CPO export duty in Malaysia from 23% in 2012 to 4.5 – 8.5% in 2013 and 2014 to enhance exports could optimise the stock level and the CPO price. Monthly palm oil stock level is still relevant to indicate supply and demand interactions in the market. The optimum level for Malaysian palm oil stock for a month is estimated 1.8 - 2.0 Mil MT to meet demand from local processors and overseas buyers as well.

### EXPORT DUTY RATE (AFTER PARTIAL DUTY EXEMPTION)\*

CPO MARKET PRICE (FOB RM/MT)	EXPORT DUTY (%)
<RM2,250.00	NIL
2,250 – 2,400	4.5
2,401 – 2,550	5.0
2,551 – 2,700	5.5
2,701 – 2,850	6.0
2,851 – 3,000	6.5
3,001 – 3,150	7.0
3,151 – 3,300	7.5
3,301 – 3,450	8.0
>3,450.00	8.5

*Note:* \* Effective from 1<sup>st</sup> January 2013 until revised otherwise

*Source: Malaysian Royal Customs Department*

4. The 2013 incentive programme implemented in Malaysia to accelerate oil palm replanting included the incentive at 1,000RM/Ha to fell palm trees aged more than 25 years and unyielding palms. Target for felling palm at 100,000 Ha may continue its effects as it would reduce 300,000 MT of palm oil supply.
5. Implementation of Bio-diesel B5 and B10 throughout Peninsular Malaysia by July 2014 would absorb 500,000 MT of palm oil.
6. World palm oil production is expected to increase from 56 million MT in 2013 to 58 million MT in 2014.

## The Development of the Oil Palm Industry

Oil palm is a naturally relative high yielding oil crop and lowest production unit cost. In addition, its broad utility for edible oil and industrial downstream products including Bio-diesel consumption, make it a potential perennial oil crop to enhance long-term profits for growers. One key factor to success oil palm industrial business is the planting material; research and development is being undertaken for superior planting materials that gives comparatively higher oil per rai, early harvest age, slow vertical growth, broad adaptability to environment, and especially for tolerance to basal stem rot (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 programs to promote awareness of health and safety of growers, environment conservation, soil and water management, and proper use of resources.

Besides the world's first awarded RSPO certificate for independent group of Thai farmers that approved by RSPO EB on 10 October 2012, United Palm Oil Industry Public Company Limited and Univanich Palm Oil Public Company Limited, the two major plantation companies in Thailand, successfully obtained the award of RSPO Principles & Criteria (RSPO P&C) in 2013.

Today Crushing mills technology improves the efficient use of energy and manpower within a relative compact sit. Most of the waste product is converted to energy and beneficial matters; electricity power producing from biogas captured from wastewater, the remaining wastewater from the process is used for oil palm or rubber land application as a source of minerals and moisture. In addition, after being pressed for oil, the fiber and empty fruit bunch are an energy source for biomass process and electricity generation or use for soil mulching in oil palm planting. This is all adding value while reducing pollution and global warming.

## PALM OIL INDUSTRY AND COMPETITIVENESS

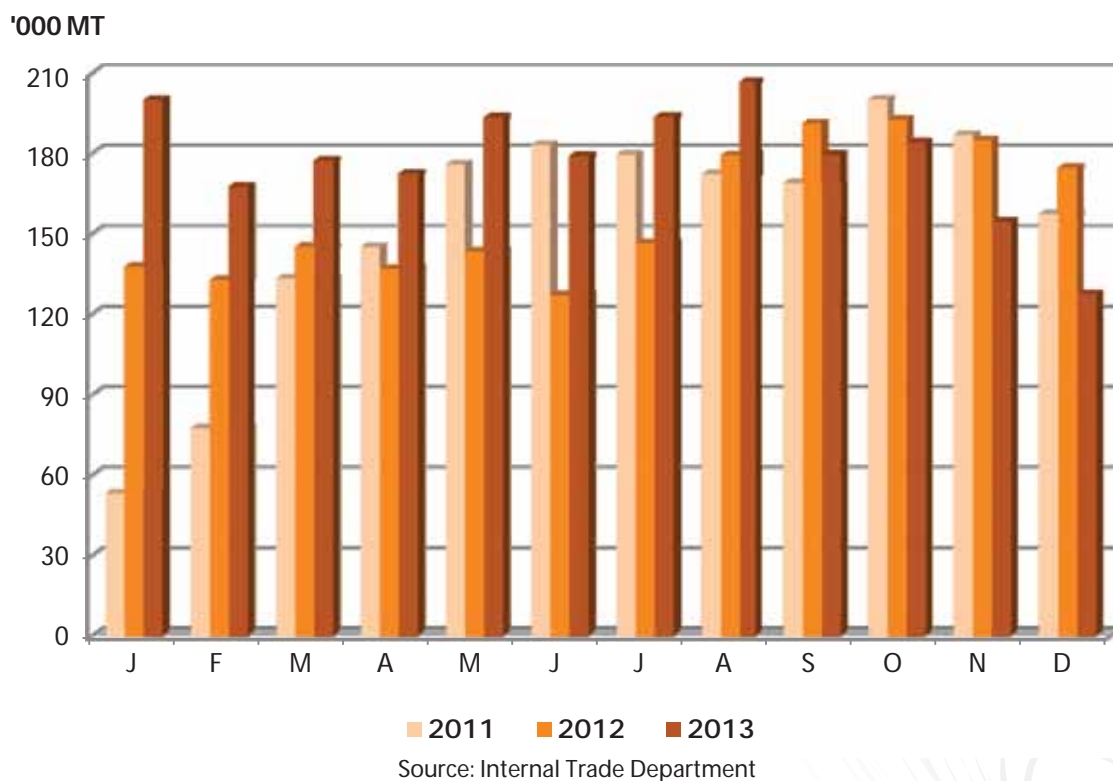
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An increase of palm oil blending proportion for Bio-diesel product worldwide will significantly increase the demand for palm oil and enhance instability of palm oil price in the absence of a comprehensive oil palm and palm oil industrial development plan.

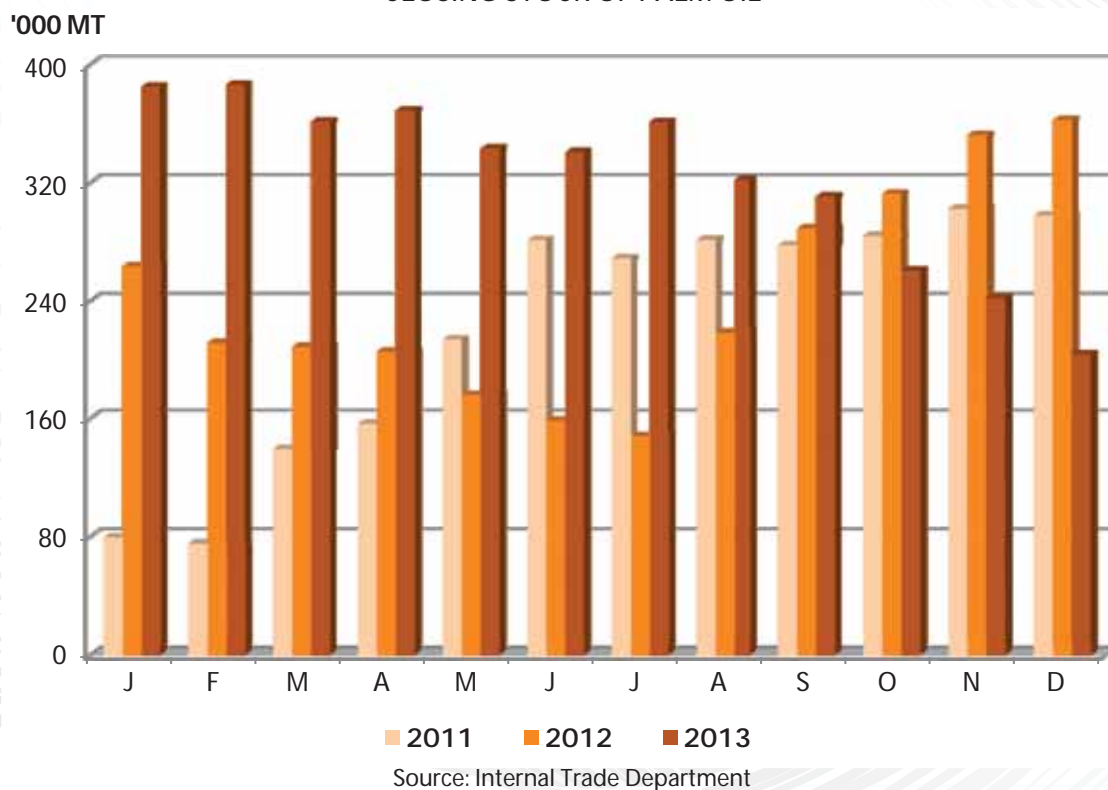
In the near future, the ASEAN Economic Community (AEC) shall be the goal of regional economic integration of the members of ASEAN Free Trade Area (AFTA) by 2015; which will significantly influence palm oil industry in the region to trade more freely. In the Kingdom of Thailand, palm oil formerly has set as volatile goods and progressively decreasing import tax to be 5% at 2007 and 0% at 2010. Further, the Kingdom under the AEC in 2015 must eliminate completely nontariff and tax barriers. As a result, there would be a possibility to import palm oil from Indonesia and Malaysia at lower price to compete with local producers, which would affect the domestic palm oil price. The domestic palm oil price is therefore expected to be as low as Indonesian and Malaysian prices; as a consequence, FFB price decreases, and inevitably affect to small holders who are the majority oil palm grower.

For the long term trend, the recent discovery of shale gas and tight oil as a new fossil-fuel energy source especially by the United States of America, Russia, and China is expected to have a long-term influence on stability of petroleum price for particular might not surge rapidly as happened in the past. This would in turn enhance the stability of Bio-diesel and palm oil price. The latest report by the U.S. Ministry of Energy (2013) revealed that there was 345 billion barrels of shale oil/tight oil found in 42 surveyed countries, which will be sufficient use for at least 10 years (calculated at 90 million barrels consumption per day). Russia has the highest amount of 75 billion barrels where U.S.A., China, Argentina, and Libya has 58, 32, 27 and 26 billion barrels, respectively. In addition, shale gas when combined from any sources has a huge volume, which will make up the total reserve of natural gas to be at 22,882 trillion cubic feet or 47% increase. The volume is however the technically recoverable calculation that can be produced by today advance technology regardless of selling price and costing concerns.

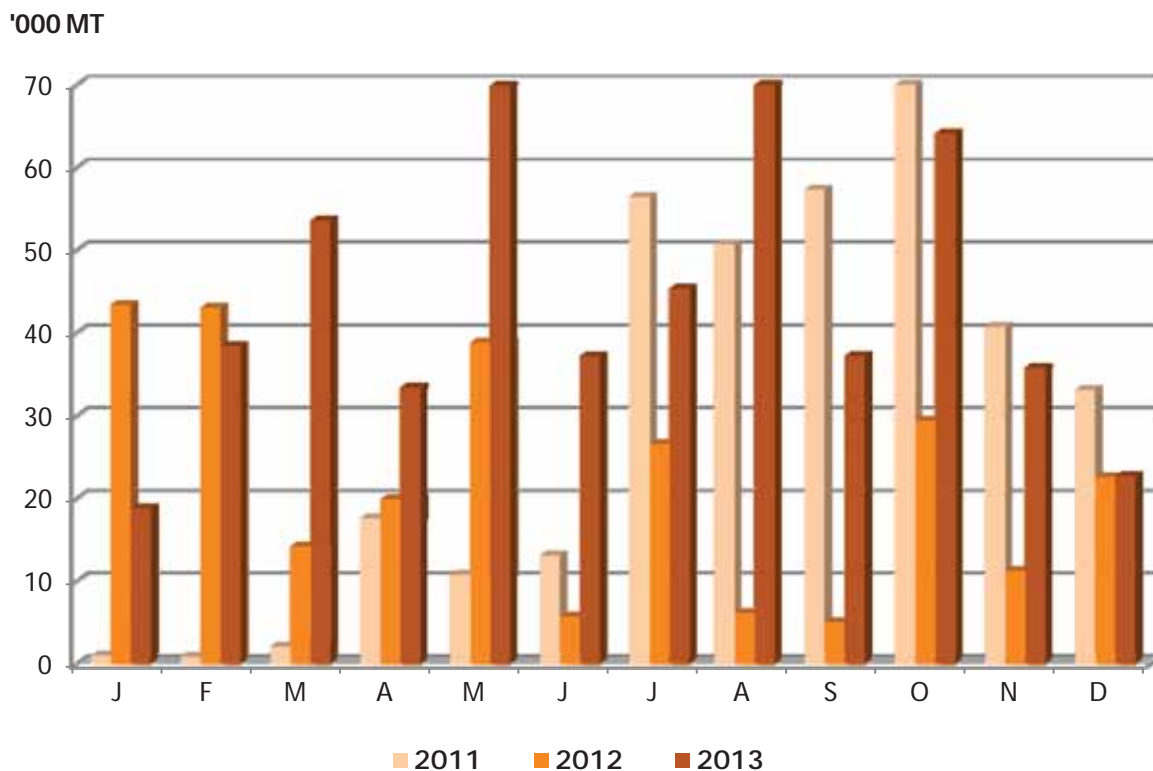
## PRODUCTION OF CPO



## CLOSING STOCK OF PALM OIL

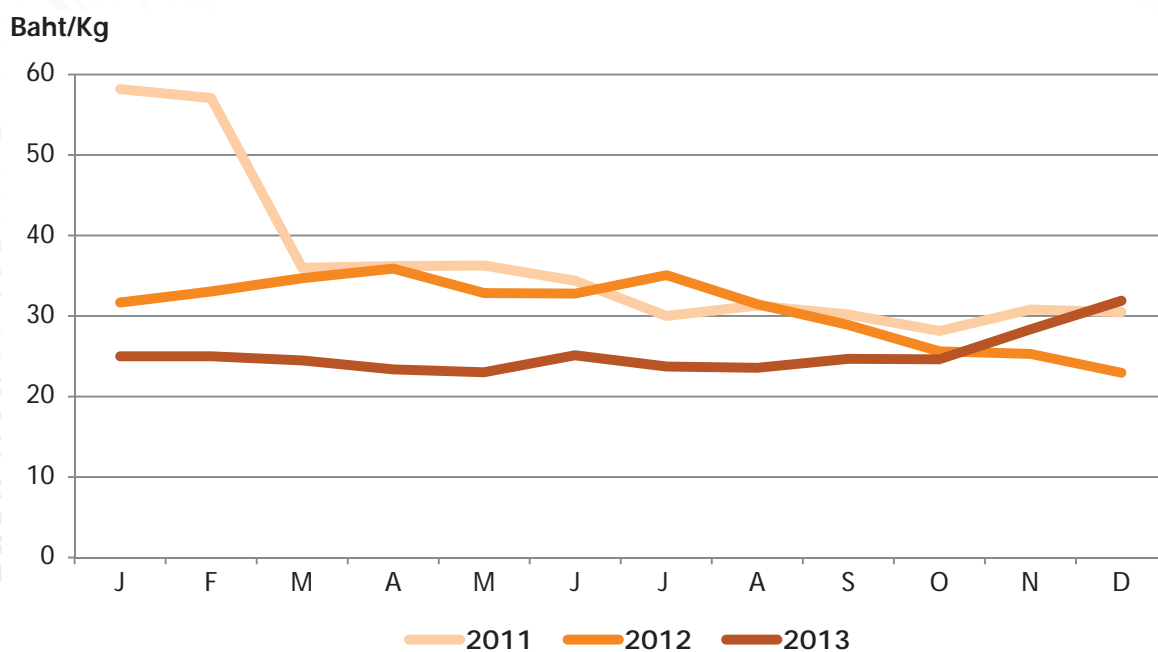


## EXPORT OF PALM OIL



Source: Internal Trade Department

## LOCAL DELIVERED CPO PRICE



Source: Internal Trade Department

## Business Overview

### 1. Product Highlights

#### 1.1 Oil

In 2013, the domestic palm oil price and volume saw significant fluctuation. In the first half of the year, palm oil price hit the lowest in three years due to the highest palm oil stock in history while the demand slightly softened. However, in the second half, the domestic palm oil price rose to higher than the world market price.

Your Company realises the importance of branding building instead of pricing competition. Therefore, we focus on strategies to build awareness and recognition of the brand to consumers through television media and in-store media. The message conveyed is that Jade (or "Yok") is an expert of frying. Alongside Yok, your Company has been investing in its premium healthy oil "Naturel" to fulfill the demand for health & wellness. In 2013, your Company has communicated to a wider target group through hospital, office building, and implemented activities in Facebook to build awareness of the product.

For Naturel, your Company provides health information to its target audience and implements the activities that communicate directly to the target audience, such as Facebook, Office's Road Show, and Hospital Road Show.

#### 1.2 Margarine & Shortening

Encouraged by the good response from the Thailand Baking Master (cake decoration competition) held in 2012, your Company decided to join and support the Thailand's Chef Association in 2013, and organise the cake decoration competition amongst entrepreneurs to expand product user base, and sponsor product to the association. Throughout the year, we held bakery seminars nationwide to create awareness of the product in all target groups.

For margarine and shortening categories, we expanded our consumer base to users in hotel (sous chefs) by joining the Thai Chef Association and participating the activities held by them.

#### 1.3 Packed fruits and vegetables and Beverages

New product variants introduced in 2013 included canned sweet corn kernels, UFC Refresh Asian favorite s "Chrysanthemum plus Lo Han Guo" in 240 ml. aluminum cans and HOMESOY original soy milk with black sesame in 300 ml. plastic bottle. Sales of UFC 100% coconut water saw strong growth in the export market. The nectar beverage range in aluminum cans also had positive growth in sales and profit margin.

A mini-marathon entitled "UFC Fit, Fun Run" was conducted on 10 March 2013 to promote and rejuvenate the UFC brand image. More than 2,500 runners participated in this event at Lumpini Park, Bangkok. There were press coverage by local media and extensive postings on social media. Part of the proceeds were contributed to a charity as part of CSR.

### 2. Sales & Distribution

#### 2.1 Domestic

a) Hypermarkets and Convenience Stores: Competition intensified with more small players entering the bottled oil market. Key retailers reduced the frequency of in-store promotion compared to year ago. The timing for participation in the major promotions are critical to generate sales. Oil sales grew by 40 % in volume and 15 % in value (due to the drop in price). Sales of premium oils increased in line with concern for good health. This trend is expected to continue.

b) Traditional Trade: Traditional trade continues to be very important. Your Company is continuing to invest in developing this channel. Competition becomes very intensive as new comers flood in both the vegetable oil and margarine/shortening segments. Attempts were made to improve the distribution horizontally and vertically to cover both products and services. As a consequence, your Company establishes the following key policies to enhance the effectiveness of this channel.

- Vertical product distribution policy i.e. to enlarge a variety of goods by expanding the product line with existing customers
- Horizontal product distribution policy i.e. to increase the number of stores and distributions
- Policy to expand the product group to maximize covering and serving needs of the market.

c) Food Service: 2013 is another good year in Food Service channel due to improvement to our supply chain. Consequently, customer loyalty improved and market share increased from our key QSRs customers. We enjoyed double digit volume growth compared to last year.

### 2.2 Export

Coconut water continues to be the main driver of growth in 2013. Potential markets for growth include US, EU, Australia and New Zealand. However, with global demand increasing, security of raw coconut water will need to be closely monitored. Imports of coconuts from the region may be required to supplement local supply.

Exports of canned Longan, Mango and Baby corn increased while sales of Rambutan and Lychee declined. Customers are monitoring the fluctuation in prices offered in the market, resulting in delays to confirmation of orders.



## Operations Overview

### 1) Productivity improvements

#### *Bangpoo Refinery*

- Improvement of the Racking System on 3<sup>rd</sup> and 4<sup>th</sup> floor of 5-storey building to minimise the cost of Warehouse Management System (WMS).



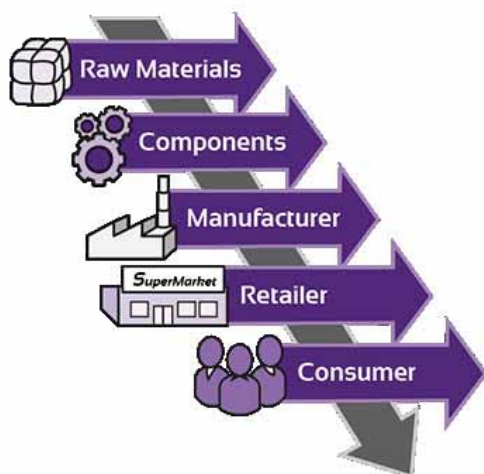
#### *Trang Crushing Mill*

- Participated in the oil palm value adding project to develop the palm oil industrial establishments by increasing the capacity with “Cleaner Technology”, promotes the zero waste industry and adding value to waste. The Trang crushing mill was one of 4 palm crushing mills who participated in the project under the direction of the provincial Industry in Trang.



## MANAGEMENT DISCUSSION AND ANALYSIS

- Joined the Industrial Supply Chain Efficiency Improvement Project in collaboration with the Department of Industrial Promotion, Ministry of Industry.



### *UFC Nakorn Pathom*

- Commissioning of 2 new filler machines: UHT Prisma for packaging size 500 ml. and 1,000 ml. The modern prism shape is stronger than the previous package and will help UFC growing market and increasing sale opportunity.
  - Commissioning of new Aseptic Tank (A-Tank) capacity 30 metric ton to keep and store products which pass the UHT (Ultra high temperature) process pending the filling process. It will reduce loss during UHT filler machine breakdown, and also keep the good quality of products overnight.
  - Increase in the efficiency of chiller system and air compressor system to support the beverage line expansion and keep good products quality.



## MANAGEMENT DISCUSSION AND ANALYSIS

- Installation of wrap-around case packer M/C 1,000 ml. which can reduce product unit cost from packaging and labor cost. The untouch process of automatic-wrap-around product improves packing cleanliness on the tetra box and reduce both packaging material and labor cost.
- Installation of Mango floating Machine to select the good quality of fruit maturity 100% in every incoming lot.
- Installation of auto air ventilation to reduce electricity cost.



- Modification of covered lagoon to improve the waste water treatment system to increase efficiency, reduce odor, and ensure the treated water from the system meet the effluent standards.



2) Awards and Certifications relating to social and environmental care

*Bangpoo Refinery*

- FSSC 22000 Certification (food safety system certification) on 28 August 2013.
- ISO 28000: 2007 certification for security management system for the supply chain on 1 October 2013.
- Renewal of the certification of Thai labor standard (TLS.8001: 2010) from the Department of Labor Protection and Welfare. This certification lasts 3 year, and is valid until 13 June 2016.



### Environment and Corporate Social Responsibility Overview

Lam Soon (Thailand) Public Company Limited conducts its business with the awareness of social and environmental responsibility to enhance the sustainable growth of the organisation as well as the society. Hence, the below Vision and Mission have been established in accordance with the normal operation.

#### **Vision**

The leading food company with sustainable growth and development

#### **Mission**

1. Manufacturing high quality and nutritious food product together with innovative production for novel food to fulfill customer requirements as well as providing the best services and building capacity which is able to be competitive in the future.
2. Employing advanced technology with international management system as well as taking care of the environment, communities, and society.
3. Building trust and confidence toward our customers, and allocate compensation or dividend to shareholders, and other stakeholders appropriately. Moreover, healthy, safety, and welfare of all employees are always taken into highly consideration.

The Company has a policy to focus on producing sustainable palm oil under RSPO (Roundtable on Sustainable Palm Oil) scheme. The Bangpoo refinery and Trang crushing mill have been certified the Mass Balance (MB) RSPO Supply Chain on 11 June 2012. The Company can also generate electricity power from biogas and have been registered for the Clean Development Mechanism (CDM) Project. Furthermore, the Company respects the rights of the various groups of stakeholders, not only internal groups such as the employees but also other stakeholders such as shareholders, creditors, customers, trading partners, competitors, communities and society. The Company shall give fair treatment to all parties including employees, customers, trading partners, or any personnel regardless of nationality, race, religion, language, age, gender, and marital status or others. However, since the expectations of stakeholders might vary, the Company shall consider their legal rights thoroughly and carefully to ensure that such rights are protected and treated equitably. In respect of each group of stakeholders, the Company is resolved to follow the practices toward stakeholders which have been set up in the policy.

The Company determines the guideline of 8 CSR principles as follows:-

#### **1. conduct the business on fair basis**

The Company treats the business partners on the basis of equalities and fair competition, and honors the terms of all trading agreements entered into with its business partners. In addition, the Company's procurement policy and procedures are designed to ensure efficient appropriation, effectiveness, transparency and justification.

#### **2. anti-corruption**

The Company has a policy to sustain and encourage employees adhere to ethics and be good citizen of the society as well as encourage the business partners to conduct business transparently. The practices therefore are established in the policy to enhance the importance of anti-corruption and bribery.

#### **3. Respect of human rights**

The Company has a policy to treat all stakeholders with justification and therefore shall adhere to laws and regulations concerning employees and the international fundamental principles of human rights, regardless of the place of birth, nationality, gender, age, skin color, religious belief, disability, financial status, family status, educational institute, or other status irrelevant to job performance, apart from respecting individualism and human dignity.

#### **4. Treat employees on fair basis**

The Company recognises its employees as a critical factor of its success; therefore, knowledge and skill development together with continuous training for employees are fully supported without discrimination, and provided as career development benefits including appropriate return and welfare. The Company also respects the international human rights principles and values the importance of the wellness and occupational health and safety, working environment and the support of corporate culture and team work.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Responsibility to customers and consumers

The Company aims to create client satisfaction and confidence by focusing on its responsibility and client's need by improving quality of the products pursuant to the standard from the quality management systems such as:-

- ISO 9001 being a quality management system, aiming to the quality assurance and conformity.
- TIS 18001 / OHSAS 18001 being a standard for occupational health and safety management systems.
- FSSC 22000 being a standard developed for the certification of quality standard and food safety which can create client confidence and focus on sustainable growth and development. It covers the standard of ISO 22000 and PAS 220, which is global acceptance.
- ISO 28000 being a standard of a security management system particularly dealing with security assurance in the supply chain.
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously.
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

In addition, the Company focuses on doing fair marketing and contract. It also keeps all customer information and transactions confidential. The customers' complaints are addressed by an ombudsman office to ensure customers' confidence and maximize customer satisfaction.

### 6. Take care of environment

The Company has a policy to conduct its business with full consideration of the environment. It will abide by laws and regulations pertaining to the environment. With its responsibility to the environment, the Company always focuses on the following good practice.

- to encourage its employees to be fully conscious of their responsibility toward the environment;
- to fully participate with the local communities in environmental activities, and to exchange knowledge and experience with other agencies to promote good environment and regularly modify its operation to improve the environment.;
- to prevent any adverse impact to the environment, review and evaluate its operations regularly to check the progress and ensure that the Company has fully observed the environmental policies and standards.

### 7. Contribute to develop the surrounding communities and society

The Company has a policy to jointly develop and promote a good relationship with the surrounding communities and society, observe local custom and culture, and cooperate with all parties in the communities to promote social harmony with sustainable growth.

### 8. Develop and publicise the innovation created from operation under corporate responsibility for society, environment, and stakeholders

In 2008, the Company was the first palm oil producer who won an award of governmental campaign "Carbon Label" from Thailand Greenhouse Gas Management Organization (Public organization). It can reduce Greenhouse Gas release net by 16.48% from production process.

Furthermore, at present, the Company can produce electricity power 1 MW from biogas generated by waste water released from milling production process. Such project becomes knowledgeable source for students, learners, and nearby community in respect of waste elimination.

During the previous year, the Company involved in the CSR activities (CSR after process) as follows:-

## Bangpoo Refinery

### 1) Blood donation scheme

The Bangpoo refinery, Trang crushing mill, UPOIC crushing mill in Krabi, and UPOIC oil palm plantations participated with the Thai Red Cross Society and hospitals to donate blood on various occasions. The activity has been continuously held on yearly basis.



### 2) Lam Soon Supported the Canteen Supplies

On 17 June 2013, the Company donated canteen supplies i.e. table, food tray, etc. to Watratniyomtummm School which has 200 students from kindergarten to primary level.



### 3) "White Factory" Project

On 12 September 2013, the Company has received the white factory flag to show that "Lam Soon (Thailand) Public Company Limited" strives to create a good working environment, free from drugs and illegal issue.



### 4) Drinking water donation to help flood victims in 2013

On 30 October 2013, the Company granted drinking water to flood victims. The Human Resources and Welfare Committee were the Company representatives to deliver 16,000 bottles of drinking water to the Ministry of Labour to help flood victims.





### *Trang Crushing Mill*

#### 5) Activities that established good relationship with the community

The Trang crushing mill has held environment and social responsibility activities continuously to strengthen a good relationship with communities such as:-

- Granted company products to local residents in the surrounding communities during New Year festival
- Bestowed educational scholarship and company products in National Children Day for schools in factory surrounding area
- Donated computers to use as the teaching media for schools in surrounding the factory
- Participated in the community development activity with communities' leaders and its residents on the National Mother's Day
- Held the fish release event to celebrate Her Majesty the Queen Sirikit's on the National Mother's Day



## 6) To promote oil palm growers to do the sustainable farming

The Trang crushing mill held the meeting to promote about RSPO Smallholder to oil palm growers, and to educate the principles and criteria of RSPO standards according to the Company's project that promotes oil palm growers to do the sustainable farming, to focus on the quality to supply to the factory. We also measured for the ownership land of farmers in order to conform to the RSPO standard.



## 7) To promote and preserve Thai cultures, traditions and the local youth sports competition

The Lam Soon (Thailand) Group internally held activities in the plants and also participated in the activities with the local community to promote and preserve the goodness of Thai cultures and traditions. It also build a good relationship with community through activities such as water-pouring ceremony (Rot Nam Dam Hua), a traditional way to ask a blessing from a respected elder on Thai New Year celebration, and participated in the sports against drugs held by the local government "Kuan Kun", Trang province to promote the anti drugs program.



เทศกาลสงกรานต์

## Financial Overview

### Financial performance analysis and explanation

#### 1. Operating results

Sales value decreased by 8.22% 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**). Nevertheless, the sales volume increased by 8.54%. Thanks to the average cost of CPO to the Company decreasing greater than the average selling price, gross profit was up by 243.90 million Baht and net profit of the Company itself increased by 67.32 million Baht or 21.16% in 2013.

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 refined 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 into 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).

For its subsidiary UPOIC, the overall processed FFB crop from own estates and concession land slightly decreased by 1.7% compared to 2012. Output from its own planted area decreased by 13.6% influenced by prolonged drought for several months in inflorescence flowering stage hence the reducing of average bunch weight and arising of inflorescence abortion. However, there was an increase of FFB in oil palm mature area from concession area by 12.9% that resulted from the increasing of harvesting efficiency and recovery of labour shortage status in addition to relative lower effect from drought to old mature palm because of giving inflorescence in earlier stage than the young mature palm.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the end of 2013, its subsidiary purchased land in Krabi province to grow oil palm trees since concession area would be expired at the end of 2014.

Furthermore, the subsidiary continued the replanting programme to replace fully mature and less productive palms. This continuous replanting programme, which commenced in 2001, has been completed at 92.7% out of the targeted area (excluded subsidiary's concession land).

The subsidiary decreased the purchase of outgrower crops by 7.8% owing to the reason explained earlier (details in "PALM OIL INDUSTRY AND COMPETITIVENESS : Market Condition and Palm Oil Price"). The volume of own FFB crops also decreased by 1.7%. As such, of the total volume of FFB processed which decreased by 5.5% from 2012, 46.9% was from FFB purchased and 53.1% from own estates (2012 : 48.5% and 51.5% respectively).

Another subsidiary, UFC, recognised loss on impairment of assets in 2013 amounting to 105.71 million Baht because its operating results have not met targets. As a result, it is planned to discontinue the operations of the subsidiary and sell the related assets.

As explained above, the net profit of equity holders of the Company on a consolidated basis decreased from 273.03 million Baht to 250.34 million Baht, or 8.31% from 2012. Net profit margin in 2013 was 3.41% (2012 : 3.53%).

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 368.81 million Baht or 4.85%. Sales of LST products decreased by 463.88 million Baht or 8.44%, deriving from 10.06% increase in sales volume and 18.50% decrease in the average selling price due to the decrease of CPO cost, the major raw material.

At its subsidiaries, net sales increased by 95.06 million Baht or 4.50% due to sales of other palm products increasing by 243.78 million Baht, sales of electricity power increasing by 2.17 million Baht, sales of canned fruit & vegetable and fruit juice decreasing by 71.52 million, and sales of frozen fruit & vegetable decreasing by 79.37 million Baht.

**Other income :** Income other than those generated by normal operation was 99.41 million Baht or 1.35% of total revenues, a decrease of 28.59 million Baht or 22.33% because the subsidiary received the compensation from an overseas vendor of machinery in 2012.

### Cost of sales and expenses

**Cost of sales :** In 2013 the Company and its subsidiaries recorded cost of sales at 81.93% of total sales (2012 : 84.23%). Cost of sales of the Company itself decreased from 92.62% in 2012 to 87.80% in 2013 because of lower CPO price explained above.

Plantation subsidiary UPOIC recorded cost of sales at 76.0% of total sales (2012 : 71.3%). This was because of the 22.0% and 30.3% decrease in the average selling prices of CPO and CPKO respectively.

**Selling expenses :** In 2013 the Company and its subsidiaries recorded selling expenses at 596.94 million Baht, an increase of 40.23 million Baht (2012 : 556.70 million Baht). Of the amount, 22.77 million Baht was increased from the Company itself incurred by A&P expense, salary, and employee benefit and 17.46 million Baht was increased by subsidiaries due to A&P expense and the allowance for obsolete stock.

**Administrative expenses :** Administrative expenses in 2013 was 235.06 million Baht (2012 : 212.70 million Baht), increasing by 22.36 million Baht from the subsidiary incurred by the allowance for doubtful debts..

The subsidiary, manufacturing the frozen vegetable and fruit, recognised loss on impairment of assets in 2013 amounting 105.71 million Baht

**Finance cost :** Finance cost in 2013 was recorded at 52.33 million Baht (2012 : 74.11 million Baht), a decrease of 21.77 million Baht or 29.38%. This was because the Company reduced borrowings to finance working capital for trade A/R and inventory in line with lower cost of raw material, combining with the improved cash flows from operating activities.

### Profits

**Gross profit (GP)** : GP margin increased to 18.07% in 2013 (2012 : 15.77%). For the Company itself, GP increased by 243.90 million Baht because of the lower raw material cost and the higher sales volume. Gross profit of its subsidiaries decreased due to lower selling price in average of CPO and CPKO at 22% and 30.3% respectively. The GP of the Company and its subsidiaries increased by 108.76 million Baht or 9.06%.

**Operating profit** : Owing to the GP increasing by 108.76 million Baht, S&A expenses and loss on impairment of assets increasing by 168.30 million Baht, and other income decreasing by 28.59 million Baht, this resulted in operating profit decreasing by 88.06 million Baht in 2013.

**Net profit** : Despite finance cost reducing, the Company and its subsidiary recorded much lower operating profit. As a result, the net profit attributable to equity holders of the Company decreased by 22.70 million Baht or 8.31%, with net profit margin of 3.41% in 2013 (2012 : 3.53%).

**Dividend payout ratio** : In 2013, LST itself paid dividend for the operational year 2012 at the rate of 0.20 Baht per share representing a payout ratio of 51.28% of net profit (2012 : 0.08 Baht per share, representing a payout ratio of 48.79% of net profit in 2011). 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 2013.

In 2013 its subsidiary UPOIC paid dividend for the last quarter of the 2012 financial year at the rate of 0.30 Baht per share. Combining with the 0.60 Baht per share interim dividend of 2012, the total dividend paid for the 2012 financial year amounted to 0.90 Baht per share, representing a payout ratio of 89.11% of its net profit. In addition, during 2013, its subsidiary paid an interim dividend at the rate of 0.20 Baht per share. Combining with the 0.40 Baht per share dividend for the last half of 2013, the total dividend paid for the 2013 financial year amounted to 0.60 Baht per share, representing a payout ratio of 88.00% of its net profit. 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, 2013, the book value per share of LST was 3.24 Baht (weighted average number of shares at 820 million shares), an increase compared to 2.97 Baht in 2012 (weighted average number of shares at 820 million shares).

## 2. Financial position

**Assets** : At the end of 2013, the total asset value of the Company and its subsidiaries was 5,162.66 million Baht, a decrease of 58.37 million Baht or 1.12% compared with 2012. The major reasons are as follows:-

- **Cash and cash equivalents** was 233.72 million Baht at the end of 2013, decreasing 25.54 million Baht or 9.85% from 2012. Cash of the Company itself decreased by 7.98 million Baht, while cash of its subsidiaries decreased by 17.56 million Baht.
- **Trade and other receivables** : Trade A/R – unrelated parties at 1,005.87 million Baht was recorded by the Company and its subsidiaries as at the end of 2013 (after an allowance for doubtful debt), accounting for 19.49% of total assets (2012 : 895.26 million Baht, accounting for 17.15% of total assets). Such A/R was mainly attributable to trade A/R of the Company, which was not yet due. Such increase was because of higher sales value during November and December. However, the average collection period was at 49 days in 2013 (2012 : 48 days).

In addition, trade A/R - related parties of the Company and subsidiary which was not due yet slightly increased by 0.04 million Baht.

The Company and its subsidiaries recorded A/R aging more than 3 months and cheques returned at 4.32% of trade A/R - unrelated parties. In the meantime, the Company already set the allowance for doubtful accounts at 83.05% of the value of A/R aging more than 3 months and returned cheques.

- **Inventory** was worth 1,103.37 million Baht as at the end of 2013, or 21.37% of total assets, decreasing by 463.19 million Baht (2012 : 1,566.56 million Baht, or 30% of total assets). At the Company itself, there was a decrease of 226.87 million Baht caused by higher raw material price then stock being reduced, and a decrease at a subsidiary, of 236.32 million Baht.
- **Other current assets** in the Company and its subsidiary as at the end of 2013 decreased by 10.44 million Baht. Such decrease was derived from subsidiary amounting to 9.56 million Baht from lower other receivable of seeding.
- **Investment properties** decreased by 0.75 million Baht as at the end of 2013 because its subsidiary set the allowance for diminution in value on non-operating building.
- **Property, plant and equipment** : As at the end of 2013, the net value of property, plant and equipment increased by 315.83 million Baht or 16.93% from 2012. There was an increase of 347.42 million Baht attributable to the subsidiary due to the purchase of land in Tub Prik, Krabi at 1,676.13 rai, and a decrease of 31.60 million Baht attributable to the Company due to annual depreciation.
- **Cost of forest land rights and cost of palm plantation** increased by 8.67 million Baht due to oil palm replanted area of a subsidiary.
- **Intangible assets** : As at the end of 2013 increased by 1.61 million Baht attributed to the cost of computer software utilised during the period.
- **Other non-current assets** : As at the end of 2013 increased by 4.50 million Baht owing to the deposit on investment cost of factory expansion incurred at its subsidiary.

### 3. Source of Fund

**Structure of Fund** : Under the consolidated financial statements, source of fund comprised 2,851.83 million Baht from shareholders' equity and 2,310.83 million Baht of liabilities, in the ratio of 55.24 : 44.76 respectively. Of the said amount of liabilities, bank loans amounted to 1,557.89 million Baht or 67.42% of total liabilities, comprising short-term loan at 1,357.89 million Baht (58.77%) and long-term loan at 200 million Baht (8.66%). The ratio of debt to equity was 0.81 times at the end of 2013. Further details are set out below:-

- **Shareholders' equity** : increased by 98.75 million Baht or 3.59% at the end of 2013 because net profit of the Group increased.
- **Liabilities** : At the end of 2013, the Company and its subsidiaries had :-
  - (a) short-term bank loan of 1,357.89 million Baht, of which:-
    - i. 1,055.75 million Baht was extended to a subsidiary, decreasing by 33.22 million Baht or 3.05%.
    - ii. 185 million Baht was extended to the Company, which decreased by 415 million Baht or 69.17%.
    - iii. 15 million Baht represents the portion of long-term loan extended to the Company due within one year.
    - iv. 2.14 million Baht represents the portion of long-term loan extended to subsidiary due within one year, mortgage of land and construction thereon, and negative pledge of machinery, 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.
    - v. 100 million Baht represents the portion of long-term loan extended to the subsidiary due within one year from purchase of land in Tub Prik, Krabi at 1.676.13 rai.
  - (b) long-term liabilities amounted to 200 million Baht represents the long-term loan net of current portion extended to the subsidiary for purchase of land in Tub Prik, Krabi. Under a long-term loan agreement for 300 million Baht entered into by the subsidiary with a local bank, the subsidiary fully drew down the facility. The loan is repayable every 3 months in 12 installments starting in February 2014, and bears interest at the rate of BIBOR + 1%.

### Financial liquidity

In 2013, the Company and its subsidiaries had less financial liquidity than 2012 as cash and cash equivalents decreased by 25.54 million Baht to 233.72 million Baht in 2013 (2012 : 259.27 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 2013, the Company and its subsidiaries had net cash received from operating activities at 1,099.24 million Baht (2012 : 730.45 million Baht). Such increase was contributed by allowance for assets impairment of subsidiary, inventory, trade and other payable increasing by 105.71, 389.57, and 199.51 million Baht respectively; while trade and other receivable decreasing by 279.16 million Baht.

**Cash flows from investing activities :** In 2013, the Company and its subsidiaries recorded net cash used in investing activities at 695.05 million Baht (2012 : 226.53 million Baht). This was because of the purchase of land in Tub Prik, Krabi at 1,676.13 rai of the subsidiary.

**Cash flows from financing activities :** In 2013, the Company and its subsidiaries recorded net cash used in financing activities at 429.73 million Baht (2013 : 753 million Baht). The reason was that the subsidiary secured the long-term loan from financial institution to purchase land.

### Financial ratios

**Current ratio** was at 1.19 times (2012 : 1.18 times) due to the improvement in cash management and lower palm oil price as earlier explained.

**Quick ratio** increased to 0.62 times (2012 : 0.49 times) due to an increase in cash and cash equivalents and trade A/R.

**Return on total assets** decreased to 6% in 2013 (2012 : 6.80%) as net profit for the year decreased by 8.31%, whereas total assets decreased slightly by 1.12% resulted from recognised loss on assets impairment of subsidiary amounting 105.71 million Baht while land just bought by another subsidiary at the end of 2013 has not generated income yet.

**Return on total equity** decreased to 11.12% in 2013 (2012 : 14.08%) as net profit for the year decreased.

**Total debt to equity ratio** decreased to 0.81 times in 2013 (2012 : 0.90 times) due to lower short-term debt driven by improved operating result of the Company hence using its own cash flows from operating activities.

**Accounts receivable turnover** was 7.34 times in 2013 (2012 : 7.48 times). The average collection period was 49 days in 2013 compared with 48 days in 2012. This was because trade A/R and other receivables increased by 12.18% while sales value decreased from the average selling price by 4.85%.

**Inventory turnover of finished goods** increased to 9.30 times in 2013 (2012 : 9.11 times), and inventory turnover period decreased to 39 days (2012 : 40 days). This was because cost of sales decreased less than the inventory.

**Accounts payable turnover** was 16.51 times in 2013 (2012 : 20.99 times); average payment period was at 22 days (2012 : 18 days). This was because average trade accounts payable and other payables increased by 26.45%.

## 4. Capital Expenditure

Capital expenditure of the Group was incurred mostly for improvement of mill efficiency. In addition, the subsidiary invested in purchasing land for oil palm growing and continued the replanting programme.

- (a) The subsidiary invested in land purchase to grow oil palm in Tub Prik, Krabi, to replace the concession land expired at the end of 2014, some of which might not be renewal, and to increase the volume of FFB processed to match with the milling capacity.
- (b) The continuous replanting programme, which commenced in 2001, has been completed at 92.7% out of the targeted area (excluded subsidiary's concession land). Further replanting in Chaiburi and Khiansa, concession of which will be expired at the end of 2014, is subject to further extension of such concession by the Government.
- (c) Capital expenditure in the future of the subsidiary shall be the investment in machinery and equipment to replace the old ones including the old trucks using for FFB transportation from own estates to its crushing mill, and labour-replaced equipment.

## 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 including on Bio-diesel is playing an increasingly important role in the palm oil industry. Those will all have significant impact on your Company's financial performance.

Please refer to **RISK FACTORS** and **PALM OIL INDUSTRY AND COMPETITIVENESS** as explained earlier.

## 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)	2013	2014
for the Company	1,510,000	1,510,000
for 2 subsidiaries	1,920,000	1,920,000
for 5 related companies	745,000	745,000
<b>Total</b>	<b>4,175,000</b>	<b>4,175,000</b>

### 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)	2013	2014
for the Company	420,000	420,000
for 2 subsidiaries	340,000	440,000
for 2 related company	220,000	320,000
<b>Total</b>	<b>980,000</b>	<b>1,180,000</b>



## SHAREHOLDERS AND MANAGEMENT

### Shareholders

As at 8 May 2013, the top ten shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon Holding Co., Ltd. <sup>(i)</sup>	42.11
(2) Hap Seng Consolidated Berhad <sup>(ii)</sup>	20.00
(3) CIMB Securities (Singapore) Pte Ltd	10.99
(4) Lam Soon Cannery Pte Ltd. <sup>(iii)</sup>	7.48
(5) Mr. Suwit Laohapolwattana	4.59
(6) CIMB Securities Limited	1.62
(7) Mr. Somchai Chongsawadchai	1.30
(8) Mrs. Pennipa Duangsittisombat	0.73
(9) HSBC Private Bank (Suisse) SA, Singapore Branch	0.70
(10) Mr. Metha Rangsiyawaranont	0.56

Source : Thailand Securities Depository Co., Ltd.

#### Note :

- (i) Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2013, 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 as at 31 December 2013 was 59.72% comprising direct and indirect shareholdings of 58.19% and 1.53% respectively.
- (iii) Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2013, its shareholders are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Mr. Whang Shang Ying	39.04
(2) Ms. Whang Yee Ling	27.71
(3) Mr. Whang Tar Liang	22.38
(4) Ms. Chen Mu Hsien	10.87

## 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) Art-ong Jumsai Na Ayudhya, Ph.D.	Vice-Chairman of Board of Directors, Independent Director and Chairman of Audit Committee
(3) Ms. Anchalee Suebchantasiri	Managing Director and Finance Manager
(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) Mr. Ampol Simarojana	Executive Director and Factory Manager
(9) Ms. Piyathida Sukchan	Executive Director
(10) Ms. Jirasuda Sumpaotong	Company Secretary

#### 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. Jirasuda Sumpaotong	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 5.2 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.

## SHAREHOLDERS AND MANAGEMENT

### (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.
- 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 2014 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 5.1.6 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 2013, the Board of Directors held 6 meetings (4 regular meetings and 2 extra meetings), with attendance shown of each member as below:-

Name	Attendance / Total Meetings
(1) Mr. Whang Tar Liang	2/6
(2) Mr. Somchai Chongsawadchai <i>(passed away on 11 March 2013)</i> Ms. Piyathida Sukchan <i>(replaced Mr. Somchai on 26 April 2013)</i>	1/2 3/3
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	6/6
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	5/6
(5) Mr. Banchong Chittchang	6/6
(6) Datuk Simon Shim Kong Yip	2/6
(7) Mr. Whang Shang Ying	5/6
(8) Mr. Ampol Simarojana	6/6
(9) Ms. Anchalee Suebchantasiri	6/6

### 4. Names and Position of the Management

Name	Position
(1) Mr. Whang Tar Liang	Executive Director
(2) Mr. Whang Shang Ying	Executive Director
(3) Ms. Anchalee Suebchantasiri	Managing Director and Finance Manager
(4) Mr. Ampol Simarojana	Executive Director and Factory Manager
(5) Ms. Piyathida Sukchan	Executive Director
(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   | : | 87 years   |
| Nationality                                     | : | Singaporean  |
| % of share holding                              | : | None   |
| The number of directorships in listed companies | : |  |
| - Chairman                                      | : | 1 company  |
| - Director                                      | : | 0 company  |
| Number of years as a director                   | : | 20 years (date of appointment : 1 December 1994)   |
| Family relation with management                 | : | Mr. Whang Shang Ying's father  |
| Education                                       | : | Bachelor of Science Degree,<br>University of California at Berkeley, U.S.A.  |
| Director Training Programme                     | : | None   |
| Position in other listed companies              | : | None   |
| Other Experience                                | : |  |
|   |   | <ul style="list-style-type: none"> <li>■ Director, Lam Soon Holding Co., Ltd.</li> <li>■ Director, Bangkok Edible Oil Co., Ltd.</li> <li>■ Group Chairman and Managing Director of The Lam Soon Group for Singapore, Malaysia, Thailand and Vietnam</li> <li>□ Chairman, Jurong Cement Limited, a public listed company in Singapore</li> <li>□ Chairman/Deputy Chairman, Singapore Manufacturers' Association</li> <li>□ Deputy Chairman, The Public Service Commission of Singapore</li> </ul> |
| Meeting Attendance in 2013                      | : | Attending the Board Meeting 2 times out of 6 times   |
- (2) **Art-ong Jumsai Na Ayudhya, Ph.D.**  
 Vice-Chairman of Board of Directors, Independent Director and Chairman of Audit Committee
- |  |   |   |
|--|---|---|
| Age  | : | 73 years  |
| Nationality  | : | Thai  |
| % of share holding   | : | None  |
| The number of directorships in listed companies                                    | : |   |
| - Chairman   | : | 0 company   |
| - Director   | : | 1 company   |
| Number of years as a director  | : | 7 years (date of appointment : 10 August 2007)  |
| Family relation with management  | : | None  |
| Education  | : | Ph.D. Imperial College of Science and<br>Technology, London University, U.K.<br>Ph.D. Faculty of Education, Chulalongkorn University  |
| Director Training Programme  | : | Certificate of Completion DCP 146/2011 and ACP 38/2012<br>from Thai Institute of Directors (IOD)  |
| Position in other listed companies   | : |   |
|  |   | <ul style="list-style-type: none"> <li>□ Independent Director and member of Audit Committee of SPCG Public Company Limited</li> </ul>   |
| Position in companies with relating business (specify only non-executive director) | : | None  |
| Other Experience   | : |   |
|  |   | <ul style="list-style-type: none"> <li>■ Chief Administrator of Sathya Sai School, Lopburi province</li> <li>■ Director of AJ Technology Company Limited</li> <li>□ Senior Lecturer of The Faculty of Engineering, Chulalongkorn University</li> <li>□ Member of Parliament (Elected three times)</li> <li>□ Senator, Bangkok</li> <li>□ Secretary to the Foreign Minister</li> <li>□ Expert in the National Research Council on rockets for use in the Artificial Rain Making Project</li> </ul> |
| Meeting Attendance in 2013   | : | Attending the Board Meeting 6 times out of 6 times<br>Attending the AC Meeting 4 times out of 4 times   |

**Note :** ■ *present* □ *past*

## SHAREHOLDERS AND MANAGEMENT

- (3) **Miss Anchalee Suebchantasiri**  
 Managing Director and Finance Manager  
 Age : 55 years  
 Nationality : Thai  
 % of share holding : 0.001%  
 The number of directorships in listed companies  
     - Chairman : 0 company  
     - Director : 2 companies  
 Number of years as a director : 19 years (date of appointment : 21 August 1995)  
 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)
- Position in other listed companies :  
     ■ Vice-Chairman of Board of Directors and Managing Director, United Palm Oil Industry Plc.
- Other Experience :  
     ■ 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.  
     ■ Chairman of Board of Directors, Siam Elite Palm Co., Ltd.
- Meeting Attendance in 2013 : Attending the Board Meeting 6 times out of 6 times
- (4) **Assoc. Prof. Preecha Jarungidanan, Ph.D.**  
 Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, and Member of Nomination Committee  
 Age : 67 years  
 Nationality : Thai  
 % of share holding : None  
 The number of directorships in listed companies  
     - Chairman : 0 company  
     - Director : 4 companies  
 Number of years as a director : 7 years (date of appointment : 14 June 2007)  
 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)
- Position in other listed companies :  
     ■ 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.
- Position in companies with relating business (specify only non-executive director) : None
- Other Experience :  
      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.
- Meeting Attendance in 2013 : Attending the Board Meeting 5 times out of 6 times  
     Attending the AC Meeting 3 times out of 4 times  
     Attending the RC Meeting 3 times out of 3 times  
     Attending the NC Meeting 3 times out of 3 times

**Note :**   ■ *present*    *past*

## SHAREHOLDERS AND MANAGEMENT

### (5) Mr. Banchong Chittchang

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

Age : 65 years  
Nationality : Thai  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
Number of years as a director : 7 years (date of appointment : 14 June 2007)  
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

Position in other listed companies :

- Independent Director, Thai Optical Group Plc.
- Advisor, CPALL Plc.

Position in companies with relating business (specify only non-executive director) : None

Other Experience :

- Chartered Director registered with Thai Institute of Directors
- Director, Thai Investors Association
- Facilitator for IOD Strategy courses
- Vice Chairman of the Food Processing Industry Club, Federation of Thai Industries
- Councilor of Thailand Management Association
- President, Malee Sampran Plc.

Meeting Attendance in 2013 : Attending the Board Meeting 6 times out of 6 times  
Attending the AC Meeting 4 times out of 4 times  
Attending the RC Meeting 3 times out of 3 times  
Attending the NC Meeting 3 times out of 3 times

### (6) Datuk Simon Shim Kong Yip

Independent Director and Chairman of Nomination Committee

Age : 57 years  
Nationality : Malaysian  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 1 company  
Number of years as a director : 7 years (date of appointment : 25 April 2007)  
Family relation with management : None  
Education : Master in Law, University College London, London University, United Kingdom

Director Training Programme : None

Position in other listed companies : None

Position in companies with relating business (specify only non-executive director) :

- 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-Independent Non-Executive Director, Hap Seng Plantations Holdings Berhad, a company listed on the Bursa Malaysia

Other Experience :

- Non-Independent Non-Executive Director, Lei Shing Hong Limited
- Non-Executive Director, Lei Shing Hong Securities Limited
- Managing Partner, Messrs Shim Pang & Co.
- Barrister-at-law of the Lincoln's Inn, London
- Fellow Member 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
- Member of the Malaysian Corporate Law Reform Committee and its working group on Corporate Governance, and Shareholders' rights

**Note :**  present  past

## SHAREHOLDERS AND MANAGEMENT

- Non-Independent Non-Executive Director, Malaysian Mosaics Berhad
  - Non-Executive Director, Paos Holdings Berhad, a company listed on the Bursa Malaysia
- Meeting Attendance in 2013 : Attending the Board Meeting 2 times out of 6 times  
Attending the NC Meeting 1 time out of 3 times

### (7) Mr. Whang Shang Ying

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

Age : 53 years  
Nationality : Singaporean  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
Number of years as a director : 16 years (date of appointment : 24 April 1998)  
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

Position in other listed companies :

- Director, United Palm Oil Industry Plc.

Other Experience :

- 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

Meeting Attendance in 2013 : Attending the Board Meeting 5 times out of 6 times  
Attending the RC Meeting 3 times out of 3 times  
Attending the NC Meeting 2 times out of 3 times

### (8) Mr. Ampol Simarojana

Executive Director and Factory Manager

Age : 57 years  
Nationality : Thai  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
Number of years as a director : 19 years (date of appointment : 21 August 1995)  
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)

Position in other listed companies :

- Executive Director, United Palm Oil Industry Plc.

Other Experience :

- Director, Lam Soon Holding Co., Ltd.
- Manager of Melting Division, Siam Asahi-Technoglass Co., Ltd.

Meeting Attendance in 2013 : Attending the Board Meeting 6 times out of 6 times

**Note :** ■ present □ past

## SHAREHOLDERS AND MANAGEMENT

### (9) Ms. Piyathida Sukchan

Executive Director

Age : 45 years  
Nationality : Thai  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
Number of years as a director : 1 year (date of appointment : 26 April 2013)  
Family relation with management : None  
Education : M.A. (Hons.) in Development Economics,  
National Institute Development Administration;  
B.A. in Economics (Finance),  
Thammasat University;  
Director Training Programme : Certificate of Completion DCP 36/2003 from  
Thai Institute of Directors (IOD)  
Certificate of Thai Intelligent Investors 1/2012 (TIIP1) from  
Thai Investor Association and Stock Exchange of Thailand

Position in other listed companies :

■ Executive Director, United Palm Oil Industry Plc.

Other Experience :

■ 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.

□ Assistant Vice President for Securities Analysis Dept, Cathay Capital Co., Ltd.

Meeting Attendance in 2013 : Attending the Board Meeting 3 times out of 3 times

### (10) Mrs. Roongnapa Phanomchoeng

Sales Manager- Industrial

Age : 55 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.

### (11) Mr. Komkris Siriwongpairat

Sales Manager – Modern Trade / Food Solution

Age : 41 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 (Thailand)  
□ Key Account Manager & Trade Marketing Manager, Diethelm Co., Ltd

*Note* : ■ present □ past



## SHAREHOLDERS AND MANAGEMENT

### (12) Mr. Sirichai Navasettavorn

Sales Manager – Traditional Trade

Age	:	40 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	:	
		<input type="checkbox"/> National Field Sales Manager, Siam Winery Trading Plus Co., Ltd.
		<input type="checkbox"/> Business Development Manager, Fonterra Brands (Thailand) Co., Ltd.
		<input type="checkbox"/> Distribution Account Specialist, Nestle (Thai) Ltd.
		<input type="checkbox"/> Area Sales Manager, Boonrawd Asia Beverage Co., Ltd.
		<input type="checkbox"/> Business Development Manager, Thai Pure Drink Co., Ltd.

### (13) Ms. Jirasuda Sumpaotong

Company Secretary, Secretary to the Audit Committee and Senior Accounting Manager

Age	:	43 years
% of share holding	:	None
Family relation with management	:	None
Education	:	Bachelor of Accountancy in Cost Accounting, Chulalongkorn University
Director Training Programme	:	None
Other Experience	:	
		<input type="checkbox"/> Cost Accounting Manager, Kohler (Thailand) Public Company Limited
		<input type="checkbox"/> Commercial Finance Analysis Manager / Senior Cost Analysis Manager, American Standard B&K (Thailand)
		<input type="checkbox"/> Industrial Accounting Manager / Globe IS Manager, Nestle (Thai) Limited

*Note* :  *present*  *past*

## SHAREHOLDERS AND MANAGEMENT

### 6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2012	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2013
(1) Mr. Whang Tar Liang	-	-	-
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	-	-	-
(3) Ms. Anchalee Suebchantasiri	9,140	-	9,140
(4) Assoc. Prof. Preecha Jarungidanan, Ph.D.	-	-	-
(5) Mr. Banchong Chittchang	-	-	-
(6) Datuk Simon Shim Kong Yip	-	-	-
(7) Mr. Whang Shang Ying	-	-	-
(8) Mr. Ampol Simarojana	-	-	-
(9) Ms. Piyathida Sukchan	100	-	100
(10) Mrs. Roongnapa Phanomchoeng	-	-	-
(11) Mr. Komkris Siriwongpairat	-	-	-
(12) Mr. Sirichai Navasettavorn	-	-	-
(13) Ms. Jirasuda Sumpaotong	-	-	-

### 7. Remuneration of Directors and Management

#### Monetary Remuneration

(a) Director's fees : Total fees to all 9 members of the Board 5,042,300 Baht

Name of Directors	Position	Director's fees in 2013
(1) Mr. Whang Tar Liang	Chairman of the Board and Executive Director	620,000
(2) Mr. Somchai Chongsawadchai <i>(passed away on 11 March 2013)</i> Ms. Piyathida Sukchan <i>(replaced Mr. Somchai on 26 April 2013)</i>	Vice-Chairman of the Board and Managing Director (until 11 March 2013) Executive Director (with effect from 26 April 2013)	47,100 166,400
(3) Art-ong Jumsai Na Ayudhya, Ph.D.	Vice-Chairman of the Board, Independent Director, and Chairman of Audit Committee	913,200
(4) Ms. Anchalee Suebchantasiri	Managing Director and Finance Manager	246,400
(5) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director Member of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee	976,200
(6) Mr. Banchong Chittchang	Independent Director Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee	976,200
(7) Datuk Simon Shim Kong Yip	Independent Director and Chairman of Nomination Committee	541,000
(8) Mr. Whang Shang Ying	Executive Director Member of Remuneration Committee Member of Nomination Committee	309,400
(9) Mr. Ampol Simarojana	Executive Director and Factory Manager	246,400

(b) Remuneration paid to the Company's Executive Directors as Executive Directors of Subsidiaries for 5 persons : 2,299,719 Baht

(c) Remuneration of all 9 persons of the Management : 95,302,146 Baht\*

(d) Remuneration paid to the Company's Executive Directors as the Management of Subsidiaries for 4 persons : 6,842,848 Baht

## SHAREHOLDERS AND MANAGEMENT

\*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 4<sup>th</sup> ranking (as specified in the Notification of The Office of Securities and Exchange Commission).

### 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 and Executives. 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 Directors	Name of companies	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. Whang Shang Ying		//	/	X	/
(3) Ms. Anchalee Suebchantasiri		//	//		/
(4) Mr. Ampol Simarojana		//	//		/
(5) Ms. Piyathida Sukchan		//	//		/

**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 5.8.1 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. 1/2014 held on 21 February 2014, in the presence of 3 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, upon the recommendation of the Audit Committee, concluded and provided an opinion that the Company has adequate 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 7, as well as complied with the rules and regulations of the SET regarding related transactions. 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.

#### Details of Internal Auditor

##### Mr. Apiruk Ati-anuwat

Audit partner Dr. Virach and Associates Office Co., Ltd.

Age	:	43 years
% of share holding	:	None
Family relation with management	:	None
Education	:	B.B.A. (Accounting), Ramkhamhaeng University LL.B., Thammasat University MBA., Ramkhamhaeng University Certified Public Accountant
Training Course	:	COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission) Evaluation of internal control system COSO-ERM (The Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management)
Duties and responsibilities	:	Design the annual internal audit plan Review risk assessment of the internal control system Submit the finding reports to the Audit Committee
Other Experience	:	<ul style="list-style-type: none"> <li>■ Audit partner Dr. Virach and Associates Office Co., Ltd.</li> <li>■ Internal auditor, United Palm Oil Industry Public Co., Ltd., 14 years</li> <li>■ Internal auditor, Lam Soon (Thailand) Public Co., Ltd., 9 years</li> </ul>

**Note :** ■ *present* □ *past*

### Dividend Payout Policy

The Company's policy is to pay dividends to shareholders of an amount not less than 40% of its net earnings after tax subject to the Company's future investment and funding requirements. The Board of Directors passed a resolution to propose the payment of dividend for the operational period of 2013 at the rate of 0.20 Baht/share representing 42.6% of net profit, compared with that of 2012 at 0.20 Baht/share representing 51.3% 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.

Connected transactions 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
		2013	2012		
Subsidiary company	Purchase of raw materials	949	1,379	Market prices on the contract date	CPO is the major raw material of the Company and 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	728	779	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	2	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.
	Dividend income	113	249	At the declared rate	This is the dividend received from investment in UPOIC.
	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.
	Selling and administrative service income	62	83	On actual basis	This is selling and administrative expenses from being the distributor for UFC.

The balances of the accounts as at 31 December 2013 and 2012 between the Company, subsidiaries, and those related companies have been declared in Notes to financial statements item no. 7.

### Measures or criteria to approve connected transactions

In 2013, the Company's purchases of CPO, CPKO, PKS and FFB from UPOIC accounted for 30.82% (2012 : 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.

Ms. Anchalee Suebchantasiri, 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 2013, 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 2013 and 2012

Lam Soon (Thailand) Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2013

## **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 2013, and the related consolidated statements of 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 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

## Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy made due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustment resulting from such change. The Company has also presented consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.



Kamontip Lertwitworatep

Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited

Bangkok: 21 February 2014

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**  
**Statements of financial position**  
**As at 31 December 2013**

(Unit: Baht)

	Consolidated financial statements				Separate financial statements		
	As at	As at	As at	As at	As at	As at	
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012	
		(Restated)		(Restated)			
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	8	233,723,235	259,266,032	508,342,952	46,880,426	54,861,727	220,122,139
Trade and other receivables	7, 9	1,011,552,983	901,752,822	1,070,063,448	929,688,533	822,070,831	987,828,906
Short-term loans to related parties	7	-	-	-	-	-	-
Inventories	10	1,103,370,066	1,566,557,742	1,599,361,285	548,842,010	775,711,507	1,031,792,591
Other current assets		47,142,150	57,582,333	57,091,013	18,931,219	18,048,415	20,963,404
<b>Total current assets</b>		<b>2,395,788,434</b>	<b>2,785,158,929</b>	<b>3,234,858,698</b>	<b>1,544,342,188</b>	<b>1,670,692,480</b>	<b>2,260,707,040</b>
<b>Non-current assets</b>							
Investment in associated company	11	-	-	-	-	-	-
Investments in subsidiaries	12	-	-	-	1,312,490,844	1,312,490,844	1,312,479,294
Other long-term investments	13	836,479	1,010,847	809,037	836,479	1,010,847	809,037
Investment properties	14	51,735,001	52,486,739	53,238,477	9,959,861	11,658,519	13,357,177
Property, plant and equipment	15	2,181,056,593	1,865,231,439	1,875,949,751	607,504,980	639,100,585	698,073,978
Cost of forest land rights and cost of palm plantation	16	273,578,527	264,912,830	291,053,521	248,059	259,824	271,589
Goodwill		196,376,189	196,376,189	196,376,189	-	-	-
Intangible assets	17	15,968,798	14,353,663	16,112,059	5,126,205	2,693,407	3,092,618
Deferred tax assets	27	40,794,409	39,470,069	43,849,183	10,670,843	11,453,596	18,739,218
Other non-current assets		6,525,330	2,028,143	2,619,097	468,435	516,738	454,978
<b>Total non-current assets</b>		<b>2,766,871,326</b>	<b>2,435,869,919</b>	<b>2,480,007,314</b>	<b>1,947,305,706</b>	<b>1,979,184,360</b>	<b>2,047,277,889</b>
<b>Total assets</b>		<b>5,162,659,760</b>	<b>5,221,028,848</b>	<b>5,714,866,012</b>	<b>3,491,647,894</b>	<b>3,649,876,840</b>	<b>4,307,984,929</b>

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

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**  
**Statements of financial position (continued)**

**As at 31 December 2013**

(Unit: Baht)

	Consolidated financial statements				Separate financial statements			
	As at		As at		As at		As at	
	31 December 2013	31 December 2012	1 January 2012	31 December 2012	31 December 2013	31 December 2012	1 January 2012	
				(Restated)			(Restated)	
<b>Liabilities and shareholders' equity</b>								
<b>Current liabilities</b>								
Short-term loans from financial institutions	18	1,240,748,983	1,688,974,292	2,200,010,880	185,000,000	600,000,000	1,415,000,000	
Trade and other payables	7, 19	401,460,812	317,492,574	438,561,252	472,741,228	393,875,131	460,208,217	
Short-term loan from related party	7	50,000,000	50,000,000	50,000,000	-	-	-	
Current portion of liabilities under finance lease agreements	21	-	135,105	1,036,638	-	-	566,502	
Current portion of long-term loans	22	117,140,000	67,880,000	68,080,000	15,000,000	40,000,000	40,000,000	
Income tax payable		33,137,894	51,112,852	65,941,316	16,544,213	10,913,161	-	
Other current liabilities	20	170,136,806	182,954,881	176,593,550	105,537,604	112,536,119	116,046,298	
<b>Total current liabilities</b>		<b>2,012,624,495</b>	<b>2,358,549,704</b>	<b>3,000,223,636</b>	<b>794,823,045</b>	<b>1,157,324,411</b>	<b>2,031,821,017</b>	
<b>Non-current liabilities</b>								
Liabilities under finance lease agreements - net of current portion	21	-	-	135,105	-	-	-	
Long-term loans - net of current portion	22	200,000,000	17,140,000	85,020,000	-	15,000,000	55,000,000	
Provision for land rental charge	23	20,468,000	20,468,000	20,468,000	-	-	-	
Provision for long-term employee benefits	24	77,735,920	71,787,741	56,983,875	41,842,550	43,886,577	43,358,311	
<b>Total non-current liabilities</b>		<b>298,203,920</b>	<b>109,395,741</b>	<b>162,606,980</b>	<b>41,842,550</b>	<b>58,886,577</b>	<b>98,358,311</b>	
<b>Total liabilities</b>		<b>2,310,828,415</b>	<b>2,467,945,445</b>	<b>3,162,830,616</b>	<b>836,665,595</b>	<b>1,216,210,988</b>	<b>2,130,179,328</b>	

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

**Lam Soon (Thailand) Public Company Limited and its subsidiaries**  
**Statements of financial position (continued)**  
**As at 31 December 2013**

(Unit: Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	<u>31 December 2013</u>	<u>31 December 2012</u>	<u>1 January 2012</u>	<u>31 December 2013</u>	<u>31 December 2012</u>	<u>1 January 2012</u>
		(Restated)		(Restated)		
<b>Shareholders' equity</b>						
Share capital						
Registered						
820,000,000 ordinary shares of Baht 1 each	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Issued and fully paid-up						
820,000,000 ordinary shares of Baht 1 each	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Paid-in surplus						
Share premium	241,970,265	241,970,265	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	5,269,100	5,269,100
Retained earnings						
Appropriated - statutory reserve	103,071,298	103,071,298	103,071,298	82,000,000	82,000,000	82,000,000
Unappropriated	1,349,237,654	1,262,861,846	1,052,228,243	1,506,288,490	1,284,832,549	1,029,133,746
Other components of shareholders' equity	439,673	579,167	417,719	(545,556)	(406,062)	(567,510)
Equity attributable to owners of the Company	2,519,987,990	2,433,751,676	2,222,956,625	2,654,982,299	2,433,665,852	2,177,805,601
Non-controlling interests of the subsidiaries	331,843,355	319,331,727	329,078,771	-	-	-
<b>Total shareholders' equity</b>	<b>2,851,831,345</b>	<b>2,753,083,403</b>	<b>2,552,035,396</b>	<b>2,654,982,299</b>	<b>2,433,665,852</b>	<b>2,177,805,601</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,162,659,760</b>	<b>5,221,028,848</b>	<b>5,714,866,012</b>	<b>3,491,647,894</b>	<b>3,649,876,840</b>	<b>4,307,984,929</b>

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

Directors



Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2013

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
			(Restated)		(Restated)
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		7,243,414,725	7,612,229,539	5,859,338,205	6,383,852,900
Dividend income	12	182,268	116,581	113,539,823	249,503,202
Other income	7	99,412,141	127,999,725	104,309,534	125,316,095
<b>Total revenues</b>		<b>7,343,009,134</b>	<b>7,740,345,845</b>	<b>6,077,187,562</b>	<b>6,758,672,197</b>
<b>Expenses</b>					
Cost of sales	26	5,934,374,298	6,411,952,326	5,144,256,220	5,912,670,773
Selling expenses		596,935,109	556,703,923	361,622,924	338,854,797
Administrative expenses		235,060,872	212,697,615	122,094,987	132,616,771
Loss on impairment of assets	15	105,705,780	-	-	-
<b>Total expenses</b>		<b>6,872,076,059</b>	<b>7,181,353,864</b>	<b>5,627,974,131</b>	<b>6,384,142,341</b>
<b>Profit before finance cost</b>					
<b>and income tax expenses</b>		<b>470,933,075</b>	<b>558,991,981</b>	<b>449,213,431</b>	<b>374,529,856</b>
Finance cost		(52,331,368)	(74,105,323)	(12,412,778)	(36,111,652)
<b>Profit before income tax expenses</b>		<b>418,601,707</b>	<b>484,886,658</b>	<b>436,800,653</b>	<b>338,418,204</b>
Income tax expenses	27	(107,092,176)	(114,549,319)	(51,385,038)	(20,319,400)
<b>Profit for the year</b>		<b>311,509,531</b>	<b>370,337,339</b>	<b>385,415,615</b>	<b>318,098,804</b>
<b>Other comprehensive income:</b>					
Gain (loss) on changes in value of					
available-for-sale investments		(174,368)	201,810	(174,368)	201,810
Income tax effect on changes in value of					
available-for-sale investments	27	34,874	(40,362)	34,874	(40,362)
<b>Other comprehensive income for the year</b>		<b>(139,494)</b>	<b>161,448</b>	<b>(139,494)</b>	<b>161,448</b>
<b>Total comprehensive income for the year</b>		<b>311,370,037</b>	<b>370,498,787</b>	<b>385,276,121</b>	<b>318,260,252</b>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the year ended 31 December 2013

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u> (Restated)
<b>Profit attributable to:</b>					
Profit of equity holders of the Company		250,335,482	273,033,604	<u>385,415,615</u>	<u>318,098,804</u>
Profit of non-controlling interests of the subsidiaries		<u>61,174,049</u>	<u>97,303,735</u>		
		<u>311,509,531</u>	<u>370,337,339</u>		
<b>Total comprehensive income attributable to:</b>					
Profit of equity holders of the Company		250,195,988	273,195,052	<u>385,276,121</u>	<u>318,260,252</u>
Profit of non-controlling interests of the subsidiaries		<u>61,174,049</u>	<u>97,303,735</u>		
		<u>311,370,037</u>	<u>370,498,787</u>		
<b>Basic earnings per share</b>					
	29				
Profit attributable to equity holders of the Company		<u>0.31</u>	<u>0.33</u>	<u>0.47</u>	<u>0.39</u>

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

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

**Cash flow statements**

**For the year ended 31 December 2013**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>				
Profit before tax	418,601,707	484,886,658	436,800,653	338,418,204
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	256,201,575	251,119,845	84,533,009	87,348,465
Increase in allowance for doubtful accounts	4,233,530	379,425	-	365,742
Increase (decrease) in allowance for diminution in inventory value	39,383,434	(3,265,216)	(117,790)	(1,471,345)
Increase in allowance for impairment loss of assets	105,705,780	-	-	-
Loss on write-off of property, plant and equipment	219,528	118,718	7	2,006
Gain on disposals of property, plant and equipment	(9,257,473)	(3,497,380)	(3,017,857)	(2,693,506)
Loss on write-off of cost of palm plantation	2,480,644	6,700	-	-
Loss on disposals of intangible assets	-	220,129	-	-
Unrealised loss (gain) on exchange	(318,553)	508,952	(112,747)	(49,117)
Provision for long-term employee benefits	40,018,334	40,712,853	23,895,256	24,634,273
Dividend income from subsidiary	-	-	(113,357,555)	(249,386,621)
Dividend income from other companies	(182,268)	(116,581)	(182,268)	(116,581)
Interest expenses	49,932,021	70,059,880	10,775,380	33,586,102
Profit from operating activities before changes in operating assets and liabilities	907,018,259	841,133,983	439,216,088	230,637,622
Decrease (increase) in operating assets				
Trade and other receivables	(111,646,339)	167,516,643	(107,515,206)	165,402,281
Inventories	432,015,620	42,445,180	226,987,287	257,552,429
Other current assets	9,469,386	(803,018)	(882,804)	2,914,989
Other non-current assets	(4,497,187)	590,954	48,303	(61,760)
Increase (decrease) in operating liabilities				
Trade and other payables	90,136,836	(109,372,767)	80,153,743	(67,374,264)
Other current liabilities	(13,550,553)	10,934,928	(6,506,324)	1,253,792
Cash paid for long-term employee benefits	(34,070,155)	(25,908,986)	(25,939,283)	(24,106,007)
Cash from operating activities	1,274,875,867	926,536,917	605,561,804	566,219,082
Cash paid for interest expenses	(49,109,961)	(71,287,102)	(11,227,245)	(2,160,979)
Cash paid for corporate income tax	(126,526,683)	(124,800,279)	(44,936,359)	(35,140,222)
<b>Net cash from operating activities</b>	<b>1,099,239,223</b>	<b>730,449,536</b>	<b>549,398,200</b>	<b>528,917,881</b>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Cash flows from investing activities</b>				
Acquisition of investment in subsidiary from non-controlling interest	-	(11,550)	-	(11,550)
Dividend received from subsidiary	-	-	113,357,555	249,386,621
Dividend received from other companies	182,268	116,581	182,268	116,581
Acquisitions of property, plant and equipment	(653,525,442)	(218,900,016)	(53,244,550)	(24,358,059)
Proceeds from disposals of property, plant and equipment	11,888,602	3,653,140	3,720,226	2,727,183
Increase in cost of palm plantation	(49,970,168)	(9,730,526)	-	-
Increase in intangible assets	(3,629,887)	(1,653,898)	(2,395,000)	(862,715)
<b>Net cash from (used in) investing activities</b>	<b>(695,054,627)</b>	<b>(226,526,269)</b>	<b>61,620,499</b>	<b>226,998,061</b>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts and short-term loans from financial institutions	(449,000,611)	(511,234,468)	(415,000,000)	(815,000,000)
Repayment of liabilities under finance lease agreements	(135,105)	(1,036,638)	-	(566,502)
Cash received from long-term loans	300,000,000	-	-	-
Repayment of long-term loans	(67,880,000)	(68,080,000)	(40,000,000)	(40,000,000)
Dividend paid	(212,711,677)	(172,649,081)	(164,000,000)	(65,609,852)
<b>Net cash used in financing activities</b>	<b>(429,727,393)</b>	<b>(753,000,187)</b>	<b>(619,000,000)</b>	<b>(921,176,354)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(25,542,797)</b>	<b>(249,076,920)</b>	<b>(7,981,301)</b>	<b>(165,260,412)</b>
Cash and cash equivalents at beginning of the year	259,266,032	508,342,952	54,861,727	220,122,139
<b>Cash and cash equivalents at end of the year (Note 8)</b>	<b>233,723,235</b>	<b>259,266,032</b>	<b>46,880,426</b>	<b>54,861,727</b>

**Supplementary disclosures of cash flows information**

Non-cash transactions

Acquisitions of plant and equipment

that have not been paid	4,810,478	11,131,693	307,210	1,584,605
Transferred palm nursery to inventory account	8,211,378	6,376,422	-	-
Transferred property, plant and equipment to intangible assets	700,000	-	700,000	-

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2013

(Unit: Baht)

Consolidated financial statements												
Equity attributable to the owners of the Company												
Other components of equity												
Issued and paid up share capital	Share premium	Premium on treasury stock	Appropriated - statutory reserve	Retained earnings	on changes in value of available-for-sale investments	Surplus from change in shareholding in subsidiary	Total other components of shareholders' equity	Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total	shareholders'	equity
<b>Balance as at 31 December 2011</b>												
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		
Cumulative effect of change in accounting policy for income tax												
-	-	-	-	42,214,676	141,878	-	141,878	42,356,554	1,492,629	43,849,183		
<b>Balance as at 31 December 2011</b>												
820,000,000	241,970,265	5,269,100	103,071,298	1,052,228,243	(567,510)	985,229	417,719	2,222,956,625	329,078,771	2,552,035,396		
-	-	-	-	(65,598,752)	-	-	-	(65,598,752)	-	(65,598,752)		
-	-	-	-	3,198,751	-	-	-	3,198,751	-	3,198,751		
Total comprehensive income for the year (restated)												
-	-	-	-	273,033,604	161,448	-	161,448	273,195,052	97,303,735	370,498,787		
Acquisition of investment in subsidiary from non-controlling interests												
-	-	-	-	-	-	-	-	-	(11,550)	(11,550)		
Decrease in non-controlling interests from dividend payment in subsidiary												
-	-	-	-	-	(406,062)	985,229	579,167	2,433,751,676	(107,039,229)	(107,039,229)		
820,000,000	241,970,265	5,269,100	103,071,298	1,262,861,846				2,433,751,676	319,331,727	2,753,083,403		
<b>Balance as at 31 December 2012</b>												

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2013

(Unit: Baht)

		Consolidated financial statements														
		Equity attributable to the owners of the Company						Other components of equity								
		Retained earnings		Surplus from change in shareholding in subsidiary		Total other components of shareholders' equity		Total equity attributable to shareholders of the Company			Equity attributable to non-controlling interests of the subsidiaries					
Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Appropriated - statutory reserve	Unappropriated reserve	on changes in value of available-for-sale investments	on changes in value of available-for-sale investments	comprehensive income by the owners	Other changes	Deficit	on changes in value of available-for-sale investments	Surplus from change in shareholding in subsidiary	Total other components of shareholders' equity	Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total
	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	317,428,588	2,713,613,334	317,428,588	2,713,613,334	
	-	-	-	-	37,465,414	101,516	-	101,516	37,566,930	1,903,139	39,470,069	1,903,139	39,470,069	1,903,139	39,470,069	
	820,000,000	241,970,265	5,269,100	103,071,298	1,262,861,846	(406,062)	985,229	579,167	2,433,751,676	319,331,727	2,753,083,403	319,331,727	2,753,083,403	319,331,727	2,753,083,403	
32	-	-	-	-	(164,000,000)	-	-	-	(164,000,000)	-	(164,000,000)	-	(164,000,000)	-	(164,000,000)	
	-	-	-	-	40,326	-	-	-	40,326	-	40,326	-	40,326	-	40,326	
	-	-	-	-	250,335,482	(139,494)	-	(139,494)	250,195,988	61,174,049	311,370,037	(139,494)	311,370,037	61,174,049	311,370,037	
	-	-	-	-	-	-	-	-	-	-	(48,662,421)	-	(48,662,421)	-	(48,662,421)	
	820,000,000	241,970,265	5,269,100	103,071,298	1,349,237,654	(545,556)	985,229	439,673	2,519,987,990	331,843,355	2,851,831,345	439,673	2,851,831,345	331,843,355	2,851,831,345	

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2013

(Unit: Baht)

	Separate financial statements										
	Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Retained earnings		Total other components of shareholders' equity	Other components of equity			
					Appropriated - statutory reserve	Unappropriated		on changes in value of available-for-sale investments	Other comprehensive income	Deficit	Total
<b>Balance as at 31 December 2011</b>											
- as previously reported		820,000,000	241,970,265	5,269,100	82,000,000	1,010,536,406	(709,388)	(709,388)			2,159,066,383
Cumulative effect of change in accounting policy for income tax	4	-	-	-	-	18,597,340	141,878	141,878			18,739,218
<b>Balance as at 31 December 2011</b>											
- as restated		820,000,000	241,970,265	5,269,100	82,000,000	1,029,133,746	(567,510)	(567,510)			2,177,805,601
Dividend paid	32	-	-	-	-	(65,598,752)	-	-			(65,598,752)
Reversal of prior year dividend		-	-	-	-	3,198,751	-	-			3,198,751
Total comprehensive income for the year (restated)		-	-	-	-	318,098,804	161,448	161,448			318,260,252
<b>Balance as at 31 December 2012</b>		820,000,000	241,970,265	5,269,100	82,000,000	1,284,832,549	(406,062)	(406,062)			2,433,665,852

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2013

(Unit: Baht)

	Separate financial statements										
	Issued and paid up share capital	Share premium	Premium on treasury stock	Retained earnings	Other components of equity			Total other components of shareholders' equity	Total shareholders' equity		
Note				Appropriated - statutory reserve	Unappropriated	on changes in value of available-for-sale investments	Other comprehensive income	Deficit			
<b>Balance as at 31 December 2012</b>											
- as previously reported	820,000,000	241,970,265	5,269,100	82,000,000	1,273,480,469	(507,578)			(507,578)	2,422,212,256	
Cumulative effect of change in accounting policy for income tax	-	-	-	-	11,352,080	101,516			101,516	11,453,596	
<b>Balance as at 31 December 2012</b>											
- as restated	820,000,000	241,970,265	5,269,100	82,000,000	1,284,832,549	(406,062)			(406,062)	2,433,665,852	
Dividend paid	-	-	-	-	(164,000,000)	-			-	(164,000,000)	
Reversal of prior year dividend	-	-	-	-	40,326	-			-	40,326	
Total comprehensive income for the year	-	-	-	-	385,415,615	(139,494)			(139,494)	385,276,121	
<b>Balance as at 31 December 2013</b>	<b>820,000,000</b>	<b>241,970,265</b>	<b>5,269,100</b>	<b>82,000,000</b>	<b>1,506,288,490</b>	<b>(545,556)</b>			<b>(545,556)</b>	<b>2,654,982,299</b>	

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 2013**

**1. General information**

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

**2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 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>2013</u> Percent	<u>2012</u> Percent
<b><u>Subsidiaries directly held by the Company</u></b>				
United Palm Oil Industry Public Company Limited	Palm oil plantation, crude palm oil and kernel palm oil processing	Thailand	69.96	69.96
Universal Food Public Company Limited	Manufacture and distribution of processed fruits and vegetables, canned juice and drinks	Thailand	98.76	98.76

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			<u>2013</u> Percent	<u>2012</u> Percent
<b><u>Subsidiary held by United Palm Oil Industry Public Company Limited</u></b>				
Phansrivivat Company Limited	Owner of palm oil plantation	Thailand	100	100
<b><u>Jointly controlled entity held by United Palm Oil Industry Public Company Limited</u></b>				
Siam Elite Palm Company Limited	Production and distribution of palm oil seeds	Thailand	50	50
<b><u>Subsidiaries held by Phansrivivat Company Limited</u></b>				
Prachak Vivat Company Limited	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Company Limited	Holder of concessions to use forest reserve land	Thailand	100	100
<b><u>Subsidiary held by Universal Food Public Company Limited</u></b>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	Thailand	97	97

The frozen vegetable and fruit manufacturing business is operated by Union Frost Company Limited (the subsidiary held by the Company's subsidiary), and because its operating results have not met targets, the management decided that the business would not be beneficial to the subsidiary in the long-term. As a result, during 2013, the subsidiary plans to discontinue these operations and sell the related assets. The subsidiary has already downsized its production and laid off most of its employees, hiring temporary employees to operate the business since November 2013.

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

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

### 3. **New accounting standards**

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

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

Accounting Standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

Accounting Treatment Guidance for Transfers of Financial Assets

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

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

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current period and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.

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

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014

		<u>Effective date</u>
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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

#### **4. Cumulative effect of changes in accounting policies due to the adoption of new accounting standard**

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

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

(Unit: Baht)

	As at 31 December 2013		As at 31 December 2012		As at 1 January 2012	
	Consolidated financial statement	Separate financial statement	Consolidated financial statement	Separate financial statement	Consolidated financial statement	Separate financial statement
<b>Statements of financial position</b>						
Increase in deferred tax assets	40,794,409	10,670,843	39,470,069	11,453,596	43,849,183	18,739,218
Increase in other components of shareholders' equity	136,390	136,390	101,516	101,516	141,878	141,878
Increase in non-controlling interests of the subsidiaries	2,195,105	-	1,903,139	-	1,492,629	-
Increase in unappropriated retained earnings of the Company	38,462,914	10,534,453	37,465,414	11,352,080	42,214,676	18,597,340

(Unit: Baht)

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidated financial statement	Separate financial statement	Consolidated financial statement	Separate financial statement
<b>Statements of comprehensive income</b>				
<b>Profit or loss:</b>				
Decrease (increase) in income tax expenses	1,289,466	(817,627)	(4,338,752)	(7,245,260)
Increase (decrease) in profit attributable to equity holders of the Company	997,500	(817,627)	(4,749,262)	(7,245,260)
Increase in profit attributable to non-controlling interest of the subsidiaries	291,966	-	410,510	-
Increase (decrease) in basic earnings per share	0.001	(0.001)	(0.006)	(0.009)
<b>Other comprehensive income:</b>				
Decrease (increase) in income tax effect on changes in value of available-for-sale investments	(34,874)	(34,874)	40,362	40,362

## **5. Significant accounting policies**

### **5.1 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.

### **5.2 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.

### **5.3 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.

### **5.4 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.

## **5.5 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.

## **5.6 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 the estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

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

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

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

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



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

Depreciation is included in determining income.

No depreciation is provided on land, 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.

## **5.8 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.

## **5.9 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.

## 5.10 Intangible assets and amortisation

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

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

## 5.11 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 grants on a systematic basis to the costs that are intended to compensate.

## 5.12 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.

### **5.13 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.

### **5.14 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 payments are recognised as expenses in profit or loss on a straight-line basis over the lease term.

### **5.15 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

### **5.16 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

### **5.17 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.

## **5.18 Employee benefits**

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

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

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

#### *Defined contribution plans*

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

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

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

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits 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.

## **5.19 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.

## 5.20 Income tax

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

### **Current tax**

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

### **Deferred tax**

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

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

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

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

## 5.21 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.

## **6. 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 risks and rewards of ownership of the leased asset have 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 and 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 estimated 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 records 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.

## **7. 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
	2013	2012	2013	2012	
<b><u>Transactions with subsidiaries</u></b>					
(eliminated from the consolidated financial statements)					
Purchases of raw materials	-	-	949	1,379	Market prices on the contract date
Purchases of goods and services	-	-	728	779	Market prices less fixed margin
Sales of goods and services	-	-	2	2	Market price
Dividend income	-	-	113	249	At the declared rate
Rental income	-	-	2	2	Market price
Selling and administrative service income	-	-	62	83	Actual charge
<b><u>Transactions with related companies</u></b>					
Sales of goods	25	23	-	-	Price approximates market price
Purchases of goods	5	34	-	-	Price less marketing expenses and margin
Interest expenses	2	2	-	-	THBFIX + 0.5% per annum
<b><u>Transactions with jointly controlled entity</u></b>					
Purchases of oil palm seeds and fresh fruit bunch	3	3	-	-	Market price
Land rental income	1	1	-	-	Agreed between the parties

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

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
(Unit: Baht)				
<b><u>Trade and other receivables - related parties</u></b> (Note 9)				
Subsidiaries	-	-	16,095,029	18,564,270
Associated company	452,280	452,280	-	-
Related companies (related by common shareholders)	24,938,203	23,935,342	38,544	-
<b>Total trade and other receivables - related parties</b>	<b>25,390,483</b>	<b>24,387,622</b>	<b>16,133,573</b>	<b>18,564,270</b>
Less: Allowance for doubtful accounts	(20,780,523)	(20,780,523)	-	-
<b>Total trade and other receivables - related parties, net</b>	<b>4,609,960</b>	<b>3,607,099</b>	<b>16,133,573</b>	<b>18,564,270</b>
<b><u>Short-term loans to related parties</u></b>				
Associated company	40,285,836	40,285,836	-	-
Related companies (related by common shareholders)	5,324,565	5,324,565	-	-
<b>Total short-term loans to related parties</b>	<b>45,610,401</b>	<b>45,610,401</b>	<b>-</b>	<b>-</b>
Less: Allowance for doubtful accounts	(45,610,401)	(45,610,401)	-	-
<b>Total short-term loans to related parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Trade and other payables - related parties</u></b> (Note 19)				
Subsidiaries	-	-	168,597,572	205,396,713
Related companies (related by common shareholders)	948,157	8,566,721	-	-
<b>Total trade and other payables - related parties</b>	<b>948,157</b>	<b>8,566,721</b>	<b>168,597,572</b>	<b>205,396,713</b>
<b><u>Short-term loan from related party</u></b>				
Related company (related by major shareholder)	50,000,000	50,000,000	-	-
<b>Total short-term loan from related party</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>

As at 31 December 2013 and 2012, the balance of short-term loan between the Company and the related party and the movement are as follows:

(Unit: Baht)

		Consolidated financial statements		
Company's name	Related by	Balance as at		Balance as at
		31 December	Increase	31 December
		2012	(decrease)	2013
Lam Soon Holding Co., Ltd.	Major shareholder	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 a subsidiary carry interest at a rate of 7% per annum and are repayable on demand. Recognition of interest on these loans as income on an accrual basis has 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 the state of the Legal Execution Department.

### **Short-term loan from related party**

Short-term loan from related company of subsidiary carries 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 had on 29 December 2011 agreed to extend the agreement for another 5 years, starting from 1 January 2012 and expiring on 31 December 2016.

During the year 2013, the Company had selling and administrative service income from such subsidiary totaling Baht 62 million (2012: Baht 83 million).

## Directors and management's remuneration

During the years ended 31 December 2013 and 2012, 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 140 million (the Company only: Baht 81 million) (2012: Baht 150 million, the Company only: Baht 90 million).

## 8. Cash and cash equivalents

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	3,167,463	1,644,343	1,113,200	825,144
Bank deposits	180,511,252	147,675,740	45,767,226	54,036,583
Investment in Bank of Thailand Bond	50,044,520	109,945,949	-	-
Total	<u>233,723,235</u>	<u>259,266,032</u>	<u>46,880,426</u>	<u>54,861,727</u>

As at 31 December 2013, bank deposits in saving accounts, fixed deposits and investment in Bank of Thailand Bond carried interests between 0.10 and 2.50 percent per annum (2012: between 0.10 and 2.72 percent per annum).

## 9. Trade and other receivables

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	3,633,989	3,593,910	15,034	-
Past due				
Up to 3 months	943,425	-	-	-
3 - 6 months	-	1,189	-	-
6 - 12 months	13,274	12,000	-	-
Over 12 months	452,280	452,280	-	-
Total	<u>5,042,968</u>	<u>4,059,379</u>	<u>15,034</u>	<u>-</u>
Less: Allowance for doubtful accounts	<u>(452,280)</u>	<u>(452,280)</u>	<u>-</u>	<u>-</u>
Total trade receivables - related parties, net	<u>4,590,688</u>	<u>3,607,099</u>	<u>15,034</u>	<u>-</u>

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Post dated cheques receivable	50,096,595	51,173,708	50,096,595	51,173,708
Cheque returned	13,671,166	12,838,863	8,707,851	7,875,549
Not yet due	766,118,643	729,343,601	712,697,495	681,796,115
Past due				
Up to 3 months	182,039,065	107,636,179	148,303,834	70,371,161
3 - 6 months	2,423,264	8,474,039	1,727,440	146,431
6 - 12 months	3,679,349	477,706	-	355,251
Over 12 months	25,252,573	19,617,980	2,850,712	2,617,313
Total	1,043,280,655	929,562,076	924,383,927	814,335,528
Less: Allowance for doubtful accounts	(37,394,110)	(34,305,738)	(10,828,967)	(10,828,967)
Total trade receivables - unrelated parties, net	1,005,886,545	895,256,338	913,554,960	803,506,561
Total trade receivables - net	1,010,477,233	898,863,437	913,569,994	803,506,561
<u>Other receivables</u>				
Other receivables - related parties	19,272	-	4,427,706	4,370,431
Other receivables - unrelated parties	99,198	1,112,576	-	-
Accrued income - related parties	-	-	11,690,833	14,193,839
Accrued income - unrelated parties	564,602	1,005,848	-	-
Advances - related parties	20,328,243	20,328,243	-	-
Advances - unrelated parties	392,678	770,961	-	-
Total	21,403,993	23,217,628	16,118,539	18,564,270
Less: Allowance for doubtful accounts	(20,328,243)	(20,328,243)	-	-
Total other receivables - net	1,075,750	2,889,385	16,118,539	18,564,270
<b>Total trade and other receivables - net</b>	<b>1,011,552,983</b>	<b>901,752,822</b>	<b>929,688,533</b>	<b>822,070,831</b>

## 10. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
	Finished goods	565,474,714	762,002,663	(41,103,556)	(10,531,583)	524,371,158
Work in process	393,427,625	555,114,917	-	-	393,427,625	555,114,917
Raw materials	95,469,467	141,509,649	(9,270,423)	(816,052)	86,199,044	140,693,597
Inventories in transit	593,767	4,545,796	-	-	593,767	4,545,796
Supplies and spare parts	100,239,520	115,836,310	(1,461,048)	(1,103,958)	98,778,472	114,732,352
<b>Total</b>	<b>1,155,205,093</b>	<b>1,579,009,335</b>	<b>(51,835,027)</b>	<b>(12,451,593)</b>	<b>1,103,370,066</b>	<b>1,566,557,742</b>

(Unit: Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
	Finished goods	73,984,603	77,751,425	-	-	73,984,603
Work in process	393,814,990	565,046,256	-	-	393,814,990	565,046,256
Raw materials	53,929,408	95,535,239	-	-	53,929,408	95,535,239
Inventories in transit	593,767	4,545,796	-	-	593,767	4,545,796
Supplies and spare parts	26,519,988	32,951,327	(746)	(118,536)	26,519,242	32,832,791
<b>Total</b>	<b>548,842,756</b>	<b>775,830,043</b>	<b>(746)</b>	<b>(118,536)</b>	<b>548,842,010</b>	<b>775,711,507</b>

## 11. Investment in associated company

(Unit: Baht)

Consolidated financial statements										
Company's name	Nature of business	Country of incorporation	Paid-up capital		Shareholding percentage		Cost		Carrying amount based on equity method	
			2013	2012	2013	2012	2013	2012	2013	2012
Union Fresh Co., Ltd.	Dormant	Thailand	30	30	40	40	12,000,000	12,000,000	-	-
<b>Total</b>							<b>12,000,000</b>	<b>12,000,000</b>	<b>-</b>	<b>-</b>

## 12. Investments in subsidiaries

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

Company's name	Paid-up share capital		Shareholding percentage		Cost		Dividend received during the year	
	2013	2012	2013	2012	2013	2012	2013	2012
			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	113,357,555	249,386,621
Universal Food Public Company Limited	525,000,000	525,000,000	98.76	98.76	585,242,875	585,242,875	-	-
Total					1,333,586,724	1,333,586,724	113,357,555	249,386,621
Less: Allowance for impairment loss of investments					(21,095,880)	(21,095,880)		
<b>Total investments in subsidiaries - net</b>					<u>1,312,490,844</u>	<u>1,312,490,844</u>		

As at 31 December 2013, 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 2,256 million (2012: Baht 2,562 million).

### 13. Other long-term investments

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<b>Equity securities</b>				
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	(681,946)	(507,578)	(681,946)	(507,578)
<b>Other long-term investments - net</b>	<b>836,479</b>	<b>1,010,847</b>	<b>836,479</b>	<b>1,010,847</b>

### 14. Investment properties

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

(Unit: Baht)

	As at 31 December 2013					
	Consolidated financial statements			Separate financial statements		
	Land	Office building	Total	Land	Office building	Total
Cost	54,591,486	15,034,760	69,626,246	5,614,750	33,973,158	39,587,908
Less: Accumulated depreciation	-	(8,527,877)	(8,527,877)	-	(29,628,047)	(29,628,047)
Allowance for diminution in value	(6,353,010)	(3,010,358)	(9,363,368)	-	-	-
Net book value	48,238,476	3,496,525	51,735,001	5,614,750	4,345,111	9,959,861

(Unit: Baht)

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



A reconciliation of the net book value of investment properties for the years 2013 and 2012 is presented below.

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Net book value at beginning of year	52,486,739	53,238,477	11,658,519	13,357,177
Depreciation for the year	(751,738)	(751,738)	(1,698,658)	(1,698,658)
Net book value at end of year	<u>51,735,001</u>	<u>52,486,739</u>	<u>9,959,861</u>	<u>11,658,519</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, while that of the building has been determined using the replacement cost, which as at 31 December 2013 amounted to Baht 48 million and Baht 5 million, respectively (2012: Baht 48 million and Baht 5 million, respectively). 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 approximately Baht 26 million (2012: Baht 26 million) using the income approach. The assumption used in the valuation was based on the Company's data.

## 15. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements								Total
	Land	Land awaiting development	Building and building 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		
<b>Cost</b>									
1 January 2012	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	
Additions	453,093,360	-	2,245,929	42,892,347	4,734,221	26,566,672	115,950,638	645,483,167	
Capitalised interest	-	-	1,094,293	285,983	-	-	340,784	1,721,060	
Disposals/write off	-	-	-	(17,926,826)	(2,085,232)	(28,943,409)	-	(48,955,467)	
Transfer in (transfer out)	-	-	61,699,556	43,571,824	1,111,632	5,923,960	(112,306,972)	-	
Transfer to intangible asset	-	-	-	-	-	-	(700,000)	(700,000)	
31 December 2013	698,658,261	76,475,756	1,012,040,081	2,507,757,108	112,286,549	253,286,389	78,732,504	4,739,236,648	

(Unit: Baht)

<b>Consolidated financial statements</b>								
	Land	Land awaiting development	Building and building 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
<b><u>Accumulated depreciation</u></b>								
1 January 2012	-	-	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
Depreciation for the year	-	-	43,165,321	148,369,496	5,539,125	25,048,694	-	222,122,636
Depreciation on disposals/write off	-	-	-	(13,755,363)	(2,059,217)	(28,363,913)	-	(44,178,493)
31 December 2013	-	-	597,025,520	1,567,228,016	96,357,977	177,224,484	-	2,437,835,997
<b><u>Allowance for impairment</u></b>								
31 December 2012	14,638,278	-	-	1,926,317	-	-	-	16,564,595
Increase during the year	-	-	39,489,294	66,216,486	-	-	-	105,705,780
Decrease during the year	-	-	-	(1,926,317)	-	-	-	(1,926,317)
31 December 2013	14,638,278	-	39,489,294	66,216,486	-	-	-	120,344,058
<b><u>Net book value</u></b>								
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
31 December 2013	684,019,983	76,475,756	375,525,267	874,312,606	15,928,572	76,061,905	78,732,504	2,181,056,593
<b><u>Depreciation for the year</u></b>								
2012 (Baht 195.7 million included in manufacturing cost, and the balance in administrative expenses)								217,687,847
2013 (Baht 201.4 million included in manufacturing cost, and the balance in administrative expenses)								222,122,636

(Unit: Baht)

**Separate financial statements**

	Machinery and factory and agricultural		Building and improvement		equipment and office		Motor vehicles		Total
	equipment and waste water treatment	equipment and office	building improvement	equipment and office	Motor vehicles	installation	machinery under installation		
<b>Cost</b>									
1 January 2012	1,094,513,993	37,180,867	289,717,155	37,180,867	47,257,927	36,186,840	1,527,180,657		
Additions	11,929,718	756,740	337,317	756,740	4,849,726	7,564,905	25,438,406		
Disposals/write off	(7,062,053)	(1,366,103)	-	(1,366,103)	(4,785,796)	-	(13,213,952)		
Transfer in (transfer out)	31,133,706	283,170	7,768,860	283,170	-	(39,185,736)	-		
31 December 2012	1,130,515,364	36,854,674	297,823,332	36,854,674	47,321,857	4,566,009	1,539,405,111		
Additions	22,264,411	1,223,405	220,000	1,223,405	8,227,794	20,031,545	51,967,155		
Disposals/write off	(10,578,866)	(744,721)	-	(744,721)	(8,282,203)	-	(19,605,790)		
Transfer in (transfer out)	5,820,043	246,168	5,383,627	246,168	-	(11,449,838)	-		
Transfer to intangible asset	-	-	-	-	-	(700,000)	(700,000)		
31 December 2013	1,148,020,952	37,579,526	303,426,959	37,579,526	47,267,448	12,447,716	1,571,066,476		

(Unit: Baht)

		Separate financial statements							
		Land	Building and building 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	
<b>Accumulated depreciation</b>									
	1 January 2012	-	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	
	Depreciation for the year	-	13,931,543	61,552,797	1,798,869	4,877,175	-	82,160,384	
	Depreciation on disposals/write off	-	-	(7,954,362)	(740,541)	(8,282,194)	-	(16,977,097)	
	31 December 2013	-	209,014,471	687,759,879	33,435,658	33,351,488	-	963,561,496	
<b>Allowance for impairment</b>									
	31 December 2012	-	-	1,926,317	-	-	-	1,926,317	
	Decrease during the year	-	-	(1,926,317)	-	-	-	(1,926,317)	
	31 December 2013	-	-	-	-	-	-	-	
<b>Net book value</b>									
	31 December 2012	22,323,875	102,740,404	494,427,603	4,477,344	10,565,350	4,566,009	639,100,585	
	31 December 2013	22,323,875	94,412,488	460,261,073	4,143,868	13,915,960	12,447,716	607,504,980	
<b>Depreciation for the year</b>									
	2012 (Baht 72.4 million included in manufacturing cost, and the balance in administrative expenses)							84,376,116	
	2013 (Baht 71.9 million included in manufacturing cost, and the balance in administrative expenses)							82,160,384	

During the current year, the subsidiary recognised an allowance for impairment of Baht 106 million on buildings, building improvements, machinery and equipment since the subsidiary plans to sell these assets, as described in Note 2.2 a). The allowance for impairment was determined by the management of the subsidiary based on the value appraised by an independent professional valuer, using the replacement cost approach.

During 2013, the subsidiary capitalised interest amounting to Baht 1.7 million (2012: Baht 1.6 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 3.17% - 3.55% per annum (2012: 3.16% - 4.10% per annum).

As at 31 December 2012, the subsidiary had vehicles under finance lease agreements with net book value amounting to Baht 0.3 million (2013: nil).

As at 31 December 2013 and 2012, the majority of land and building thereon of the subsidiary were mortgaged with the financial institutions to secure credit facilities granted by financial institutions and bank guarantees.

As at 31 December 2013, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 1,264 million (2012: Baht 1,138 million) and for the Company amounted to approximately Baht 502 million (2012: Baht 381 million).

## 16. 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
<b><u>Cost</u></b>				
1 January 2012	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
Additions	27,600,000	22,370,168	49,970,168	-
Disposals	(3,222,970)	-	(3,222,970)	-
Transfer in (transfer out)	-	(8,211,378)	(8,211,378)	-
31 December 2013	635,118,399	26,697,748	661,816,147	294,119
<b><u>Accumulated amortisation</u></b>				
1 January 2012	329,339,999	-	329,339,999	22,530
Amortisation 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
Amortisation for the year	30,612,449	-	30,612,449	11,765
Amortisation on disposals	(742,326)	-	(742,326)	-
31 December 2013	388,237,620	-	388,237,620	46,060
<b><u>Net book value</u></b>				
31 December 2012	252,373,872	12,538,958	264,912,830	259,824
31 December 2013	246,880,779	26,697,748	273,578,527	248,059
<b><u>Amortisation for the year (included in manufacturing cost)</u></b>				
2012			29,488,095	11,765
2013			30,612,449	11,765

Approximately 12,186 rai of the total area utilised by the subsidiary company has land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3) and for the remainder the subsidiary company has possessory rights and is currently in the process of acquiring legal documentation of ownership.

Approximately 21,349 rai, or 49 percent, of the total planted areas of the subsidiary company, are held by its two subsidiaries under concessions that will expire in 2014 and 2015. In 2012, the subsidiaries submitted requests to extend the terms of the permits to utilise and lease these areas to the relevant government agencies. In May 2013, a subsidiary received a letter from The Regional Treasury Office, Surat Thani, stating that upon expiration of the concession in 2014 the subsidiary would be permitted to extend the concession for half of the area utilized, totaling 8,588 rai.

## 17. Intangible assets

	As at 31 December 2013			(Unit: Baht)
	Consolidated financial statements			Separate financial statements
	Computer software	Licenses	Total	Computer software
Cost	56,149,389	10,764,200	66,913,589	27,639,249
Less: Accumulated amortisation	(48,829,260)	(2,115,531)	(50,944,791)	(22,513,044)
Net book value	<u>7,320,129</u>	<u>8,648,669</u>	<u>15,968,798</u>	<u>5,126,205</u>

	As at 31 December 2012			(Unit: Baht)
	Consolidated financial statements			Separate financial statements
	Computer software	Licenses	Total	Computer software
Cost	51,819,501	10,764,200	62,583,701	24,544,249
Less: Accumulated amortisation	(46,487,838)	(1,742,200)	(48,230,038)	(21,850,842)
Net book value	<u>5,331,663</u>	<u>9,022,000</u>	<u>14,353,663</u>	<u>2,693,407</u>

A reconciliation of the net book value of intangible assets for the years 2013 and 2012 is presented below.

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Net book value at beginning of year	14,353,663	16,112,059	2,693,407	3,092,618
Acquisition of computer software	3,629,887	1,653,898	2,395,000	862,715
Transfer from property, plant and equipment	700,000	-	700,000	-
Disposals - net book value	-	(220,129)	-	-
Amortisation for the year	(2,714,752)	(3,192,165)	(662,202)	(1,261,926)
Net book value at end of year	<u>15,968,798</u>	<u>14,353,663</u>	<u>5,126,205</u>	<u>2,693,407</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 statement of financial position.

## 18. Short-term loans from financial institutions

(Unit: Baht)

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	2013	2012	2013	2012	2013	2012
Short-term loans	2.30 - 3.30	2.00 - 4.00	1,240,748,983	1,688,974,292	185,000,000	600,000,000
from financial institutions						
Total			1,240,748,983	1,688,974,292	185,000,000	600,000,000

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

## 19. Trade and other payables

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Trade payables - related parties	360,502	7,764,727	168,573,513	205,323,621
Trade payables - unrelated parties	341,914,265	238,227,048	268,376,837	148,033,524
Other payables - related parties	581,011	747,909	-	-
Other payables - unrelated parties	53,033,320	63,497,139	32,968,552	34,753,221
Advance received from related parties	6,644	54,085	24,059	73,092
Other payables for purchase of machineries	5,565,070	7,201,666	2,798,267	5,691,673
Total trade and other payables	401,460,812	317,492,574	472,741,228	393,875,131

## 20. Other current liabilities

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Accrued expenses	107,704,692	114,202,388	58,368,877	61,593,788
Advance income	17,676,574	22,927,661	17,676,574	22,927,661
Accrued dividend	3,711,565	3,141,223	588,777	572,259
Others	41,043,975	42,683,609	28,903,376	27,442,411
Total other current liabilities	<u>170,136,806</u>	<u>182,954,881</u>	<u>105,537,604</u>	<u>112,536,119</u>

## 21. Liabilities under finance lease agreements

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Liabilities under finance lease agreements	-	139,332	-	-
Less: Deferred interest expenses	-	(4,227)	-	-
Net	-	135,105	-	-
Less: Portion due within one year	-	(135,105)	-	-
Liabilities under finance lease agreements - net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The subsidiary had entered into the finance lease agreements with leasing companies for rental of vehicles for use in its operations, whereby it is 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.

## 22. Long-term loans

(Unit: Million Baht)

Loan	Consolidated financial statements		Separate financial statements		Interest rate (Percent per annum)	Repayment schedule	Security
	2013	2012	2013	2012			
<b><u>The Company and its subsidiary</u></b>							
1	15.00	55.00	15.00	55.00	THBFIX plus applicable margin	Repayment in 17 quarterly installments, starting March 2010	No collateral
2	300.00	-	-	-	BIBOR + 1	Repayment in 12 quarterly installments, starting February 2014	No collateral
Total long-term loans - the Company and its subsidiary							
	315.00	55.00	15.00	55.00			
<b><u>The subsidiary company held by the subsidiary</u></b>							
Union Frost Company Limited							
1	-	13.84	-	-	Fixed rate	Monthly installment of Baht 1.17 million, starting January 2009	Mortgage of land and construction thereon, and negative pledge of machinery
2	2.14	16.18	-	-	Fixed rate	Monthly installment of Baht 1.17 million, starting March 2009	Mortgage of land and construction thereon, and negative pledge of machinery
Total long-term loans - the subsidiary company held by the subsidiary							
	2.14	30.02	-	-			
Total long-term loans							
	317.14	85.02	15.00	55.00			
Less: Current portion							
	(117.14)	(67.88)	(15.00)	(40.00)			
Long-term loans - net of current portion							
	200.00	17.14	-	15.00			

The subsidiary entered into an interest rate swap agreement with a lender bank covering a period from January 2009 to February 2014, whereby the subsidiary 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 34.1.

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

### **23. Provision for land rental charge**

In 2001, a subsidiary received the 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 by the Forestry Department was the 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 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 prudent reasons, the subsidiary has set up a provision for its estimated liabilities in the accounts.

## 24. Provision for long-term employee benefits

Movements in provision for long-term employee benefits are shown as follows:

	Consolidated financial statements						(Unit: Baht)
	2013			2012			
	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	
<b>Defined benefit obligations at beginning of year</b>							
Current service cost	134,632,611	4,897,149	139,529,760	142,936,402	4,390,803	147,327,205	
Interest cost	12,346,826	405,507	12,752,333	12,950,606	397,147	13,347,753	
Benefits paid during the year	4,709,041	107,333	4,816,374	4,654,589	109,199	4,763,788	
Reversal of provisions	(34,070,155)	-	(34,070,155)	(25,908,986)	-	(25,908,986)	
	(1,971,905)	-	(1,971,905)	-	-	-	
<b>Defined benefit obligations at end of year</b>	<b>115,646,418</b>	<b>5,409,989</b>	<b>121,056,407</b>	<b>134,632,611</b>	<b>4,897,149</b>	<b>139,529,760</b>	
Unrecognised transitional provisions	(41,763,276)	(1,557,211)	(43,320,487)	(65,406,203)	(2,335,816)	(67,742,019)	
<b>Provision for long-term employee benefits at end of year</b>	<b>73,883,142</b>	<b>3,852,778</b>	<b>77,735,920</b>	<b>69,226,408</b>	<b>2,561,333</b>	<b>71,787,741</b>	

(Unit: Baht)

## Separate financial statements

	2013				2012			
	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		
<b>Defined benefit obligations at beginning of year</b>	77,808,398	4,897,149	82,705,547	90,746,771	4,390,803	95,137,574		
Current service cost	7,519,880	405,507	7,925,387	8,188,068	397,147	8,585,215		
Interest cost	2,902,243	107,333	3,009,576	2,979,566	109,199	3,088,765		
Benefits paid during the year	(25,939,283)	-	(25,939,283)	(24,106,007)	-	(24,106,007)		
<b>Defined benefit obligations at end of year</b>	62,291,238	5,409,989	67,701,227	77,808,398	4,897,149	82,705,547		
Unrecognised transitional provisions	(24,301,466)	(1,557,211)	(25,858,677)	(36,483,154)	(2,335,816)	(38,818,970)		
<b>Provision for long-term employee benefits at end of year</b>	<u>37,989,772</u>	<u>3,852,778</u>	<u>41,842,550</u>	<u>41,325,244</u>	<u>2,561,333</u>	<u>43,886,577</u>		

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

	Consolidated financial statements						(Unit: Baht)
	2013			2012			
	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	12,346,826	405,507	12,752,333	12,950,606	397,147	13,347,753	
Interest cost	4,709,041	107,333	4,816,374	4,654,589	109,199	4,763,788	
Transitional liability recognised during the year	21,671,022	778,605	22,449,627	21,822,707	778,605	22,601,312	
<b>Total expenses recognised in profit or loss</b>	<b>38,726,889</b>	<b>1,291,445</b>	<b>40,018,334</b>	<b>39,427,902</b>	<b>1,284,951</b>	<b>40,712,853</b>	
Line items under which such expenses are included in profit or loss							
Cost of sales			24,463,964			25,377,343	
Selling and administrative expenses			15,554,370			15,335,510	

(Unit: Baht)

## Separate financial statements

	2013		2012		Total
	Provision for employee retirement benefit under labor law	Other long-term employee benefits	Provision for employee retirement benefit under labor law	Other long-term employee benefits	
Current service cost	7,519,880	405,507	8,188,068	397,147	8,585,215
Interest cost	2,902,243	107,333	2,979,566	109,199	3,088,765
Transitional liability recognised during the year	12,181,688	778,605	12,181,688	778,605	12,960,293
<b>Total expenses recognised in profit or loss</b>	<b>22,603,811</b>	<b>1,291,445</b>	<b>23,349,322</b>	<b>1,284,951</b>	<b>24,634,273</b>
Line items under which such expenses are included in profit or loss					
Cost of sales					12,106,754
Selling and administrative expenses					12,527,519



Principal actuarial assumptions at the valuation date were as follows:

	Consolidated		Separate	financial
	financial statements		statements	
	2013	2012	2013	2012
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.1	3.1	3.1	3.1
Future salary increase rate	5.0	5.0	5.0	5.0
Staff turnover rate (depending on age)	0 - 80	0 - 80	0 - 45	0 - 45

Amounts of defined benefit obligations for the current and previous four periods are as follows:

(Unit: Million Baht)

	Defined benefit obligations					
	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 2013	115	6	121	62	6	68
Year 2012	135	5	140	78	5	83
Year 2011	143	4	147	91	4	95
Year 2010	148	4	152	97	4	101
Year 2009	133	4	137	87	4	91

## 25. Statutory reserve

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

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

## 26. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Raw materials and consumables used	3,854,886,253	4,824,059,786	3,805,636,071	4,390,512,329
Changes in inventories of finished goods and work in process	358,215,241	73,424,647	174,998,088	302,865,016
Salary and wages and other employee benefits	813,074,268	803,312,689	289,293,066	275,091,179
Depreciation and amortisation	256,201,575	251,119,845	84,533,009	87,348,465
Transportation expenses	187,387,443	176,906,680	100,031,697	89,817,095
Promotion expenses	106,682,036	111,233,655	106,682,036	111,233,655
Repair and maintenance expenses	106,837,701	99,719,128	24,713,135	26,773,758
Loss on impairment of assets	105,705,780	-	-	-
Rental expenses from operating lease agreements	25,293,203	27,236,404	6,707,197	7,557,146

## 27. Income tax

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

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
<b>Current income tax:</b>				
Current income tax charge	108,381,642	110,210,567	50,567,411	13,074,140
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(1,289,466)	4,338,752	817,627	7,245,260
<b>Income tax expenses reported in the statements of comprehensive income</b>	<u>107,092,176</u>	<u>114,549,319</u>	<u>51,385,038</u>	<u>20,319,400</u>

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

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Deferred tax relating to gain on change in value of available-for-sale investments	(34,874)	40,362	(34,874)	40,362
Income tax charged directly to other comprehensive income	(34,874)	40,362	(34,874)	40,362

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

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Accounting profit before tax	418,601,707	484,886,658	436,800,653	338,418,204
Applicable tax rate	15% and 20%	15% and 23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	104,774,282	169,213,014	87,360,131	77,836,187
Effects of changes in the applicable tax rates	-	(1,069,469)	-	(1,069,469)
Effects of:				
Promotional privileges (Note 28)	1,183,551	1,517,114	(13,335,493)	-
Non-deductible expenses	28,541,578	7,199,850	579,529	1,216,322
Additional expense deductions allowed	(28,396,103)	(63,208,204)	(23,219,129)	(57,663,640)
Others	988,868	897,014	-	-
Total	2,317,894	(53,594,226)	(35,975,093)	(56,447,318)
Income tax expenses reported in the statements of comprehensive income	107,092,176	114,549,319	51,385,038	20,319,400

The components of deferred tax assets are as follows:

(Unit: Baht)

	Statements of financial position		
	Consolidated financial statements		
	As at 31 December 2013	As at 31 December 2012 (Restated)	As at 1 January 2012
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	18,827,437	18,492,770	18,426,676
Allowance for diminution in value of inventories	765,006	1,182,415	1,036,370
Allowance for impairment loss of investment in associated company	2,400,000	2,400,000	2,400,000
Allowance for diminution in value of available- for-sale investments	136,389	101,516	141,878
Allowance for asset impairment	3,529,727	3,914,992	3,914,992
Provision for long-term employee benefits	15,135,850	13,378,376	10,799,474
Unused tax loss	-	-	7,129,793
<b>Total</b>	<b>40,794,409</b>	<b>39,470,069</b>	<b>43,849,183</b>

(Unit: Baht)

	Statements of financial position		
	Separated financial statements		
	As at 31 December 2013	As at 31 December 2012 (Restated)	As at 1 January 2012
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	2,165,794	2,165,794	2,092,645
Allowance for diminution in value of inventories	150	23,707	317,976
Allowance for diminution in value of available- for-sale investments	136,389	101,516	141,878
Allowance for asset impairment	-	385,264	385,264
Provision for long-term employee benefits	8,368,510	8,777,315	8,671,662
Unused tax loss	-	-	7,129,793
<b>Total</b>	<b>10,670,843</b>	<b>11,453,596</b>	<b>18,739,218</b>

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

## 28. 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 into 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 2013 and 2012 were as follows:

	(Unit: Baht)					
	Promoted operations		Non-promoted operations		Total	
	2013	2012	2013	2012	2013	2012
<b>Sales</b>						
Domestic sales	1,738,669,307	1,921,631,913	3,861,197,117	4,197,277,893	5,599,866,424	6,118,909,806
Export sales	81,372,538	24,167,849	178,099,243	240,775,245	259,471,781	264,943,094
Total sales	<u>1,820,041,845</u>	<u>1,945,799,762</u>	<u>4,039,296,360</u>	<u>4,438,053,138</u>	<u>5,859,338,205</u>	<u>6,383,852,900</u>

## 29. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Profit attributable to equity holders of the Company (Thousand Baht)	250,335	273,034	385,416	318,099
Weighted average number of ordinary shares (Thousand shares)	820,000	820,000	820,000	820,000
Basic earnings per share (Baht/share)	0.31	0.33	0.47	0.39

## 30. Segment information

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

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

- (1) The manufacture and distribution of palm oil segment
- (2) The manufacture and distribution of processed fruits and vegetables segment
- (3) The generation of electricity from biogases segment

During the year, there were no material activities pertaining to the generation of electricity from biogases segment for the Company and its subsidiaries. Accordingly, most of revenues, profit and assets as reflected in these financial statements pertain to the industry segment (1) and the industry segment (2) mentioned above.

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

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

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

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

(Unit: Million Baht)

	Segment									
	Palm oil		Processed fruits and vegetables		Total		Elimination of inter-segment revenues		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(Restated)		(Restated)		(Restated)				(Restated)
Revenue from external customers	5,439	5,657	1,804	1,955	7,243	7,612	-	-	7,243	7,612
Intersegment revenues	949	1,379	728	779	1,677	2,158	(1,677)	(2,158)	-	-
<b>Total revenues</b>	<b>6,388</b>	<b>7,036</b>	<b>2,532</b>	<b>2,734</b>	<b>8,920</b>	<b>9,770</b>	<b>(1,677)</b>	<b>(2,158)</b>	<b>7,243</b>	<b>7,612</b>
<b>Segment profit</b>	<b>968</b>	<b>833</b>	<b>328</b>	<b>364</b>	<b>1,296</b>	<b>1,197</b>	<b>13</b>	<b>3</b>	<b>1,309</b>	<b>1,200</b>
Other income	263	444	16	20	279	464	(180)	(336)	99	128
Depreciation and amortisation	(184)	(182)	(72)	(69)	(256)	(251)	-	-	(256)	(251)
Loss on impairment of assets	-	-	(106)	-	(106)	-	-	-	(106)	-
Finance cost	(14)	(36)	(38)	(38)	(52)	(74)	-	-	(52)	(74)
Income tax expenses	(101)	(104)	(6)	(10)	(107)	(114)	-	-	(107)	(114)

(Unit: Million Baht)

	Segment				Total		Elimination of inter-		Consolidated	
	Palm oil		Processed fruits and vegetables				segment revenues			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Segment total assets</b>	<b>4,833</b>	<b>4,795</b>	<b>678</b>	<b>1,750</b>	<b>5,511</b>	<b>6,545</b>	<b>(348)</b>	<b>(1,324)</b>	<b>5,163</b>	<b>5,221</b>
Additions (reduction) to non-current assets other than financial instruments and deferred tax assets	426	(70)	(96)	30	330	(40)	-	-	330	(40)

Transfer prices between business segments are as set out in Note 7 to the financial statements.

#### *Geographic information*

The Company and its subsidiaries are operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

#### *Major customers*

For the years 2013 and 2012, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

### **31. 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 2013, total amount of approximately of Baht 9.9 million (2012: Baht 10.4 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 4.8 million had been contributed by the Company (2012: Baht 5.5 million).



## 32. Dividends

	Approved by	Total dividends	(Unit: Baht) Dividend per share
<b><u>The Company</u></b>			
<b><u>For the year 2012</u></b>			
Final dividends for 2011	Annual General Meeting of the shareholders on 27 April 2012	65,598,752	0.08
<b>Total dividends for the year 2012</b>		<b>65,598,752</b>	<b>0.08</b>
<b><u>For the year 2013</u></b>			
Final dividends for 2012	Annual General Meeting of the shareholders on 26 April 2013	164,000,000	0.20
<b>Total dividends for the year 2013</b>		<b>164,000,000</b>	<b>0.20</b>

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 profit 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 Baht 1,248. The dividends of Baht 65,598,752 were paid in May 2012.

	Approved by	Total dividends	(Unit: Baht) Dividend per share
<b><u>Subsidiary</u></b>			
<b><u>For the year 2012</u></b>			
Final dividends for 2011	Annual General Meeting of the shareholders on 27 April 2012	162,025,000	0.50
Interim dividends for the period from January to June 2012	Board of Directors' Meeting on 9 August 2012	97,215,000	0.30
Interim dividends for the period from July to September 2012	Board of Directors' Meeting on 8 November 2012	97,215,000	0.30
<b>Total dividends for the year 2012</b>		<b>356,455,000</b>	<b>1.10</b>

	Approved by	Total dividends	(Unit: Baht) Dividend per share
<b><u>For the year 2013</u></b>			
Final dividends for 2012	Annual General Meeting of the shareholders on 26 April 2013	97,215,000	0.30
Interim dividends for the period from January to June 2013	Board of Directors' Meeting on 8 August 2013	64,810,000	0.20
<b>Total dividends for the year 2013</b>		<u>162,025,000</u>	<u>0.50</u>

### 33. Commitments and contingent liabilities

#### 33.1 Capital commitments

As at 31 December 2013, the Company and its subsidiaries had capital commitments relating to the purchase of machineries, equipment, vehicles and construction of buildings amounting to approximately Baht 16.5 million (2012: Baht 41.3 million), the Company only: Baht 1.8 million (2012: Baht 3.9 million).

#### 33.2 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 lease contracts were as follows:

	(Unit: Million Baht)	
	As at 31 December	
	<u>2013</u>	<u>2012</u>
Payable within:		
Less than 1 year	7.2	9.8
More than 1 year but not over 5 years	3.2	2.8

#### 33.3 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.

### **33.4 Guarantees**

As at 31 December 2013, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their businesses. These included letters of guarantee amounting to Baht 17.9 million to guarantee import, electricity usage, among others (2012: Baht 18.8 million) and for the Company: Baht 9.1 million to guarantee electricity usage, among others (2012: Baht 10 million).

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

## **34. Financial instruments**

### **34.1 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 2013 and 2012 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 2013

	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		
<b>Financial assets</b>						
Cash and cash equivalents	50	-	181	3	234	0.10 - 2.50
Trade and other receivables	-	-	-	1,011	1,011	-
	<u>50</u>	<u>-</u>	<u>181</u>	<u>1,014</u>	<u>1,245</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	185	-	1,056	-	1,241	2.30 - 3.30
Trade and other payables	-	-	-	401	401	-
Short-term loan from related party	-	-	50	-	50	THBFIX + 0.50, 5.45, BIBOR + 1
Long-term loans	117	-	200	-	317	
	<u>302</u>	<u>-</u>	<u>1,306</u>	<u>401</u>	<u>2,009</u>	

(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		
<b>Financial assets</b>						
Cash and cash equivalents	110	-	147	2	259	0.10 - 2.72
Trade and other receivables	-	-	-	902	902	-
	<u>110</u>	<u>-</u>	<u>147</u>	<u>904</u>	<u>1,161</u>	
<b>Financial liabilities</b>						
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>	

As at 31 December 2013 and 2012, the subsidiary of the subsidiary had outstanding interest rate swap agreement as detailed below:

<u>Contract date</u>	<u>Due date</u>	<u>Notional amount</u> (Million Baht)	<u>Interest rate in the original loan agreement</u> (Percent per annum)	<u>Interest rate in the swap agreement</u> (Percent per annum)
<u>2013</u>				
January 2009	February 2014	2.14	THBFIX plus fixed rate	Fixed rate
<u>2012</u>				
January 2009	February 2014	30.02	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.

<u>Foreign currency</u>	<u>Financial assets as at 31 December</u>		<u>Financial liabilities as at 31 December</u>		<u>Average exchange rate as at 31 December</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollars	2.0	2.4	0.3	1.2	32.8136	30.6316
Euro	0.3	0.3	-	-	45.0217	40.5563

Forward exchange contracts outstanding are summarised below.

<u>As at 31 December 2013</u>				
<u>Foreign currency</u>	<u>Sold amount</u>		<u>Contractual exchange rate of sold amount</u> (Baht per 1 foreign currency unit)	<u>Contractual maturity date</u>
	<u>Consolidated financial statements</u> (Million)	<u>Separate financial statements</u> (Million)		
US dollars	0.7	0.2	31.24 - 31.63	In March 2014
Euro	0.1	-	41.20	In June 2014

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 2013
Euro	0.1	-	39.45	In May 2013

### 34.2 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 gain on changes in the value of forward exchange contracts to present them at fair value totaling Baht 1.0 million (2012: Baht 0.2 million).

### 35. 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 2013, the Group's debt-to-equity ratio was 0.81:1 (2012: 0.90:1) and the Company's was 0.32:1 (2012: 0.50:1).



### **36. Events after the reporting period**

On 21 February 2014, the meeting of the Company's Board of Directors passed a resolution to propose the payment of dividend in respect of 2013 earnings of Baht 0.20 per share, or a total of Baht 164 million.

On 20 February 2014, the meeting of the subsidiary's Board of Directors passed a resolution to propose the payment of dividend in respect of July to December 2013 earnings of Baht 0.40 per share, or a total of Baht 130 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.

### **37. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2014.