



# ANNUAL REPORT 2014

Lam Soon (Thailand) Public Company Limited



RESPONSIBILITY // QUALITY // HEALTHY // WELLNESS

# ANNUAL REPORT 2014 OF LAM SOON (THAILAND) PLC.

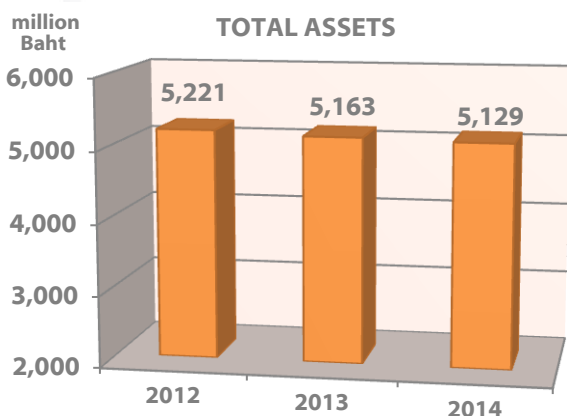
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**Investors can study more information of the Company from  
the Annual Registration Statement (FORM 56-1) published on  
[www.sec.or.th](http://www.sec.or.th) or [www.lamsoon.co.th](http://www.lamsoon.co.th)**

# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : million Baht)

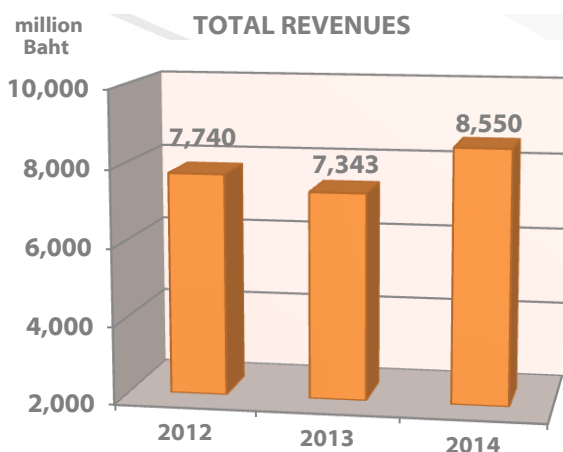
|   | 2012  | 2013  | 2014  |
|---|-------|-------|-------|
| Total Assets                                | 5,221 | 5,163 | 5,129 |
| Total Liabilities                           | 2,468 | 2,311 | 2,035 |
| Shareholders' Equity                        | 2,753 | 2,852 | 3,094 |
| Sales                                       | 7,612 | 7,243 | 8,451 |
| Total Revenues                              | 7,740 | 7,343 | 8,550 |
| Gross Profit                                | 1,200 | 1,309 | 1,376 |
| Net Profit of equity holders of the Company | 273   | 250   | 381   |



**Total assets** decreased by 0.65% mainly because:-

- 1) Cash and cash equivalents at Group level decreased by 3.9 million Baht or 1.68% to 229.8 million Baht,
- 2) Trade A/R decreased by 108.9 million Baht to 902.6 million Baht
- 3) Inventory increased by 199.7 million Baht, caused by higher raw material price.

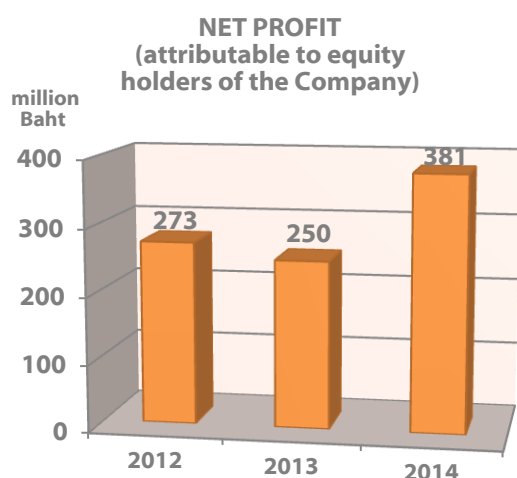
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**Total revenues** increased by 1,207 million Baht from:-

- Sales of LST increased by 1,072.4 million Baht or 18.30%,
- At its subsidiaries, sales increased by 135.3 million Baht or 9.77%.

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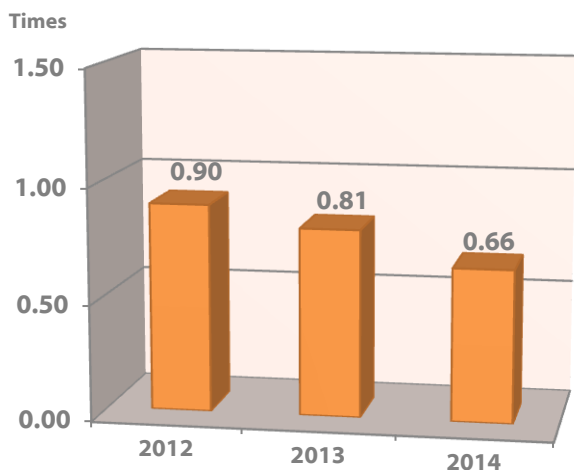


**Net profit (attributable to equity holders of the Company)** increased by 130.3 million Baht or 52.07%, with higher net profit margin of 4.45%.

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# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

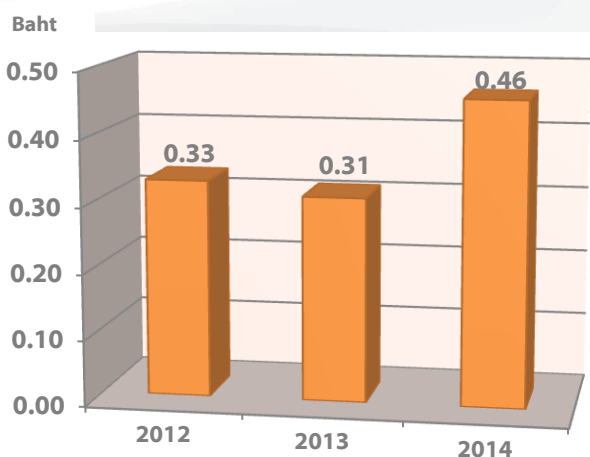
## TOTAL DEBT TO EQUITY RATIO



*Total debt to equity ratio* decreased to 0.66 times in 2014 (2013 : 0.81 times).

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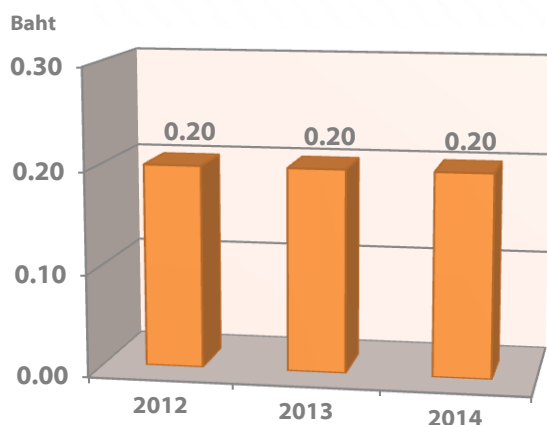
## EARNINGS PER SHARE



*Earnings per share*: was up from 0.31 to 0.46 Baht per share.

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## DIVIDEND PER SHARE



*Dividend per share*: Pursuant to the resolution of BOD meeting on 25 Feb 15, dividend per share of 0.20 Baht is proposed to be paid for the financial year 2014, subject to approval at AGM no. 1/2015.

This would represent a payout ratio of 58.8% 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 : %)

|                        | 2012  | 2013  | 2014  |
|------------------------|-------|-------|-------|
| Net Profit Margin      | 3.53  | 3.41  | 4.45  |
| Return on Equity       | 14.08 | 11.12 | 14.76 |
| Return on Total Assets | 6.80  | 6.00  | 8.53  |

## PER SHARE DATA

(Unit : Baht)

|                                       | 2012                 | 2013                 | 2014                 |
|---------------------------------------|----------------------|----------------------|----------------------|
| Earnings per Share                    | 0.33                 | 0.31                 | 0.46                 |
| Dividend Paid per Share               | 0.08                 | 0.20                 | 0.20                 |
| Dividend per Share (operational year) | 0.20                 | 0.20                 | 0.20 <sup>(i)</sup>  |
| Book Value per Share                  | 2.97 <sup>(ii)</sup> | 3.24 <sup>(ii)</sup> | 3.38 <sup>(ii)</sup> |

Notes : <sup>(i)</sup> According to the resolution of BOD meeting on 25 February 2015, to be proposed to AGM no.1/2015.

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

## 2014 STOCK PRICE PERFORMANCE





### **Industry Overview**

Since the end of 2013 the nationwide CPO stock had decreased continuously from 384,818 MT in January to 203,999 MT in December. It dropped to the critical level at 154,349 MT in February 2014. CPO price rose to as high as 35.50 Baht/Kg. As a consequence, producers of bottled cooking oil, the price of which has been controlled by the Internal Trade Department at 42 Baht/bottle (VAT included), requested to raise the said ceiling price in line with the higher raw material cost. On 28 February 2014, the Office of Agricultural Economics called a meeting with the Thai Oil Palm Board to discuss the situation, and to consider the importation of CPO. However, taking into consideration the fact that the crop season had just started and given the expectation of higher FFB output, it was decided to hold back the CPO importation. Furthermore, the Ministry of Energy announced that the proportion of CPO to be blended into diesel would be reduced from B5 to B4 effective 1 February 2014, and B7 implementation would be delayed, to mitigate the effect on food industry and the price pressure.

Later, more FFB output started to come onstream in Q2, even reaching the record high at 1.58 million MT in May. The State Government then announced the proportion of CPO to be blended into diesel would be raised from B4 to B7 to absorb supply of 80,000 MT/month. At the year end, there was less FFB output, falling to only 390,582 MT in December 2014. This reduced the nationwide palm oil stock to 167,591 MT which began critical again. Therefore, the Cabinet on 20 January 2015 endorsed the proposal to import 50,000 MT of crude palm olein to tackle the shortage problem. In addition, the proportion of CPO to be blended into diesel was reduced from B7 to B3.5.

### **Company's Performance**

In 2014 CPO price, the major raw material of your Company, kept increasing at the higher proportion than selling price. Moreover, bottled palm olein is subject to price control by the Internal Trade Department. The Company could not adjust the selling price freely to align with the raw material cost. For the reasons mentioned above, Q1/2014 gross profit of your Company fell by more than half to 98 million Baht (Q1/2013 : 208 million Baht) and net profit of Q1/2013 at 103 million Baht turned into a net loss of 13 million Baht, or down 112.44%. Furthermore, in 2014 a subsidiary paid out less dividend than previous years to reserve cash for land investment. As a consequence, the overall operating performance of your Company deteriorated, recording a net profit of 280.5 million Baht, a decrease of 27.2% (2013 : 385.4 million Baht); notwithstanding a higher revenue of around 6,931.7 million Baht, increasing by 18.3% (2013 : 5,859.34 million Baht).

As for United Palm Oil Industry Public Company Limited (UPOIC), a 69.96% subsidiary of the Company, its operating performance was lower when compared with 2013. FFB crops from its own plantations and concession lands reduced by 19.1% from 2013 due to land issues. In 2014, UPOIC recorded a lower net profit at 185 million Baht (2013 : 221 million Baht) on revenue of 1,171 million Baht (2013 : 1,352 million Baht).

The product development and marketing initiatives at Universal Food Public Company Limited, a 98.76% subsidiary of the Company, have begun to bear fruit. This is reflected in its significantly improved financial performance. The sales revenue of 1,838.8 million Baht represents a 7.6 % increase ( 2013 : 1,708.9 million Baht). The net profit of 91.3 million Baht is 146.96% higher (2013 : net loss of 194.4 million Baht from loss on impairment of assets at a subsidiary amounting to 105.7 million Baht). The main driver was the export of coconut water to various markets, including the United States, United Kingdom and New Zealand.

Overall, the consolidated net profit improved from 250.3 million Baht in 2013 to 380.7 million Baht, or a decrease of 52.07%.

### **Production and Investment**

Your Company's Bangpoo refinery has budgeted an investment of 400 million Baht to improve the productivity of its packing line; this is targeted to complete in 2H/2015. It would invest an additional 31 million Baht to install a new vacuum system to eliminate odor and save energy cost.

### **Marketing**

In 2014, price competition in the palm oil business intensified; your Company continued to control cost and emphasise brand building through television and in-store media. The Company received the symbol of THAILAND TRUST MARK (TTM) from the Department of International Trade Promotion (DITP), Ministry of Commerce. This mark, which guarantees that YOK Vegetable Oil has been chosen as a quality product from Thailand, provides a marketing opportunity to build trust in consumers' mind, not only in Thailand but worldwide. Regarding Naturel Brand, we continuously communicate to those who value health through television media and direct to consumer in supermarket and office buildings. For margarine and special fats categories, your Company launched the multipurpose - chocolate under "Daisy" brand for bakery application to strengthen the bakery channel business.

Following the successful in-roads into a various export markets, UFC Refresh 100% Coconut Water in the new 1 liter Prisma Pack was launched in the domestic market. As part of the marketing support plan, UFC Refresh 100% Coconut Water was featured in several outdoor activities including The Mall Inter Bicycle Show (August 2014), Bangkok Post Mini-marathon (August 2014), Central Group Run (September 2014), Bangkok Car-Free Day (September 2014) and others. Consumer gave positive feedback on the naturally good taste of the product.

### **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 which have been always conducted on every year include:-

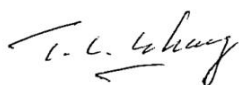
- Local activities to enhance your Company's image and develop relationship between its crushing mill and nearby communities
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Donation for various occasions
- Held the meeting to promote Roundtable on Sustainable Palm Oil (RSPO) Smallholder to palm farmers, 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

We wish to express my sincere thanks and appreciation to the Board of Directors, our Management team, employees, customers, and all stakeholders for rendering their full-fledged support to the Company for all these years. You all are a crucial part of Lam Soon today's eminent standing in the palm oil business in the Kingdom. We look forward to your continued support as the Company seeks to grow further in Thailand.



Mr. Whang Tar Liang  
Chairman



Ms. Anchalee Suebchantasiri  
Managing Director

### **Note from the Chairman, Mr. Whang Tar Liang**

The time has come for me to step down as the Chairman of your Company at the age of 88 for management renewal in 2015. I started my professional life in palm oil over 50 years ago and have been involved with Lam Soon (Thailand) Plc. since 1994. I am gratified to be a part of Lam Soon's success story from a struggling start up to an established, vertically integrated palm oil company. I am confident that the present management team will continue to build on the Company's success to date and enhance its reputation for quality and integrity among its stakeholders.



## REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprised three independent directors as follows:

|   |  |
|---|--|
| Art-ong Jumsai Na Ayudhya, Ph.D.          | Chairman of the Audit Committee and Independent Director       |
| Assoc. Prof. Preecha Jarungidanana, 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 2014, 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 4 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 2014, 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 2014 the AC had 2 meetings with the External Auditor without the management attending. The information disclosed by the management to the Auditor was found to be adequate without any deficiencies.
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the company;
5. Proposal to the Board of Directors to consider the 2014 annual audit plan and renewal of the appointment of Dr. Virach and Associates to be outsourced internal auditor for a further two-year term, to 31 December 2015, including appropriate remuneration;
6. 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;
7. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
8. Proposal to the Board of Directors for approval at the 2015 annual general meeting of shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2015 including appropriate remuneration;
9. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles;

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

Art-ong

Art-ong Jumsai Na Ayudhya, Ph.D.  
Chairman of the Audit Committee  
25 February 2015

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

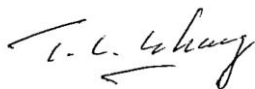
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The Board of Directors of the Company considered the consolidated financial statements of the Company and its subsidiaries, including information as shown in the Annual Report, and concluded that the financial statements have been prepared under generally 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 2014 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, 2014.

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
- FSC 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.

# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

## 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 suffered 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) Comments 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 2014, 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 | 2014-2017              | 4/4                         |
| (2) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Independent Director            | 2014-2017              | 3/4                         |
| (3) Mr. Banchong Chittchang                  | Independent Director            | 2014-2017              | 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 2014, the Remuneration Committee held 2 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 | 2014-2017              | 2/2                         |
| (2) Mr. Banchong Chittchang                  | Independent Director                   | 2014-2017              | 2/2                         |
| (3) Mr. Whang Shang Ying                     | Executive Director                     | 2014-2017              | 2/2                         |

### 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.

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## 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 2014, the Nomination Committee held 3 meetings, 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 | 2014-2017              | 3/3                         |
| (2) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Independent Director                 | 2014-2017              | 2/3                         |
| (3) Mr. Banchong Chittchang                  | Independent Director                 | 2014-2017              | 3/3                         |
| (4) Mr. Whang Shang Ying                     | Executive Director                   | 2014-2017              | 3/3                         |

### 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 2014, the Board of Directors held 4 regular 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              | 0/4                         | -     | 0/4   |
| (2) Ms. Anchalee Suebchantasiri              | 2012-2015              | 4/4                         | -     | 4/4   |
| (3) Art-ong Jumsai Na Ayudhya, Ph.D.         | 2011-2014              | 4/4                         | -     | 4/4   |
| (4) Assoc. Prof. Preecha Jarungidanan, Ph.D. | 2012-2015              | 4/4                         | -     | 4/4   |
| (5) Mr. Banchong Chittchang                  | 2011-2014              | 4/4                         | -     | 4/4   |
| (6) Datuk Simon Shim Kong Yip                | 2011-2014              | 3/4                         | -     | 3/4   |
| (7) Mr. Whang Shang Ying                     | 2012-2015              | 4/4                         | -     | 4/4   |
| (8) Mr. Ampol Simarojana                     | 2013-2016              | 4/4                         | -     | 4/4   |
| (9) Ms. Piyathida Sukchan                    | 2013-2016              | 4/4                         | -     | 4/4   |

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 2014, 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 | 2013      | 2014      |
|--|----------------|-----------|-----------|
| Directors fees                                     | 9              | 3,652,700 | 3,740,400 |
| Audit Committee fees                               | 3              | 1,179,600 | 1,202,400 |
| Remuneration Committee fees                        | 3              | 126,000   | 126,000   |
| Nomination Committee fees                          | 4              | 84,000    | 84,000    |

Besides monetary remuneration, overseas directors attending the meeting shall be reimbursed for air-tickets and accommodation. The Company also takes out insurance against director liability for directors and executives. It is to cover the risk of directors and

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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 2014 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 | 2013                |                | 2014                |                |
|------------|---------------------|----------------|---------------------|----------------|
|            | Remuneration (Baht) | No. of Persons | Remuneration (Baht) | No. of Persons |
| Executives | 95,302,146          | 9              | 105,313,338         | 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 | 2013           |           | 2014           |           |
|---|----------------|-----------|----------------|-----------|
|   | No. of Persons | Baht      | No. of Persons | Baht      |
| As directors of subsidiaries                    | 5              | 2,259,719 | 4              | 2,270,400 |
| As executives of subsidiaries                   | 4              | 6,842,848 | 3              | 6,837,000 |

## 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.



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## 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.

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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 (Compliance Controls).

In 2014 the Audit Committee approved the Company to renew the contract with 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 Simarajana 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

### 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,<br>Bangna, Bangkok 10260<br><br>Tel 02-361 8959-87<br>Fax (Management Dept.) 02-361 8988-9<br>Fax (Sales Dept.) 02-361 8994-5                |
| Refinery Address                   | : | 236 Moo 4, Bangpoo Industrial Estate, Sukhumvit<br>Road, Phraeksa Sub-District, Muang District,<br>Samut Prakarn 10280<br><br>Tel 02-709 3610-24<br>Fax 02-324 0640 |
| Crushing Mill Address              | : | 99/9 Moo 2, Sikao-Kuankun Road, Kalasae Sub-<br>District, Sikao District, Trang 92150<br><br>Tel 075-267 275<br>Fax 075-267 028                                     |
| Nature of Business                 | : | Manufacturer and distributor of vegetable oil<br>products, margarine and shortening   |
| Registered Share Capital           | : | 820,000,000 Baht  |
| Outstanding shares (common shares) | : | 820,000,000 shares  |
| Par value                          | : | 1 Baht  |

## GENERAL INFORMATION

### 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,<br>Bangna, Bangkok 10260  |
|  |   | Tel 02-744 1046-8<br>Fax 02-744 1049   |
| Krabi Office and Crushing Mill Address | : | 98 Moo 6, Nuaklong-Khao Phanom Road, Km.9.5<br>Huayyoong Sub-District, Nuaklong District,<br>Krabi 81130 |
|  |   | Tel 075-666 075<br>Fax 075-666 072   |
| Nature of Business                     | : | A plantation company producing crude palm oil<br>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,<br>Bangna, Bangkok 10260  |
|                                    |   | Tel 02-361 8954-7, 02-398 8555<br>Fax 02-744 0860-2  |
| Factory Address (1)                | : | 64 K.M. 1, Moo 1, Lampang-Chiang Mai Road,<br>Pongsaengthong Sub-District, Muang District,<br>Lampang 52100                              |
|                                    |   | Tel 054-810 270-4<br>Fax 054-810 275   |
| Factory Address (2)                | : | 469/1 Bhapatone-Banpaew Road, Moo 3,<br>Don-yai-hom Sub-District, Muang District,<br>Nakhon Pathom 73000                                 |
|                                    |   | Tel 034-229 397-8<br>Fax 034-229 759   |
| Nature of Business                 | : | Fruit and vegetable processing; Manufacturer of<br>beverages, sauces and seasonings for sale in both<br>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%  |



## GENERAL INFORMATION

### 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 : EY 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 : 2  
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

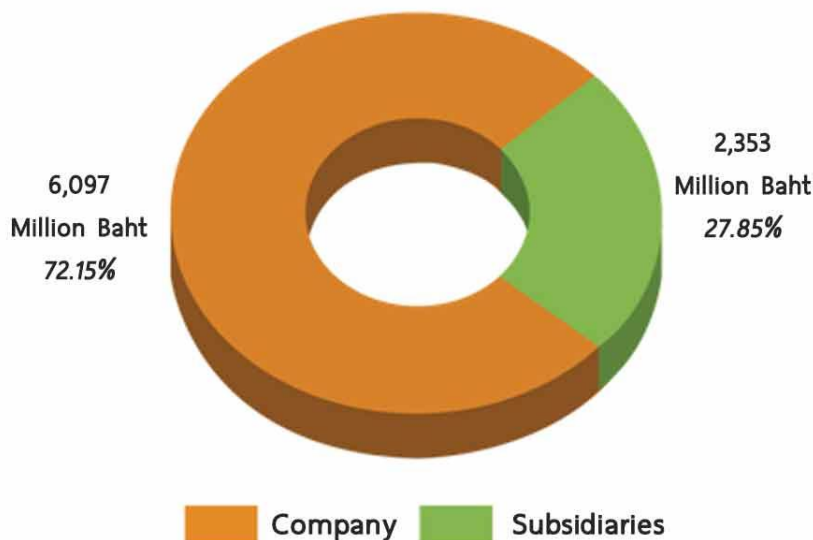
Items 4, 5 and 6 are manufactured by its subsidiary, Universal Food Public Company Limited (UFC).



## NATURE OF BUSINESS

### Revenue structure

|              | 2012            |               | 2013            |               | 2014            |               |
|--------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
|              | Mil. Baht       | %             | Mil. Baht       | %             | Mil. Baht       | %             |
| LST          | 5,498.97        | 72.24         | 5,035.09        | 69.51         | 6,097.85        | 72.15         |
| Subsidiaries | 2,113.26        | 27.76         | 2,208.32        | 30.49         | 2,353.25        | 27.85         |
| <b>Total</b> | <b>7,612.23</b> | <b>100.00</b> | <b>7,243.41</b> | <b>100.00</b> | <b>8,451.10</b> | <b>100.00</b> |



| Product/Services by Group        | Operated by     | 2012         |       | 2013         |       | 2014         |       |
|----------------------------------|-----------------|--------------|-------|--------------|-------|--------------|-------|
|                                  |                 | Mil. Baht    | %     | Mil. Baht    | %     | Mil. Baht    | %     |
| Vegetable Oil                    | LST and UPOIC   | 4,876        | 64.05 | 4,408        | 60.86 | 5,457        | 64.57 |
| Margarine & Shortening           | LST             | 593          | 7.79  | 593          | 8.18  | 604          | 7.15  |
| Other palm based products        | LST and UPOIC   | 168          | 2.21  | 415          | 5.73  | 426          | 5.04  |
| Selling Electricity power to PEA | LST and UPOIC   | 20           | 0.26  | 23           | 0.32  | 27           | 0.32  |
| Fruits and Vegetables            | LST and UFC (i) | 1,300        | 17.08 | 1,135        | 15.66 | 971          | 11.49 |
| Beverages                        |                 | 541          | 7.10  | 558          | 7.70  | 855          | 10.11 |
| Sauces and Seasonings and others |                 | 115          | 1.50  | 112          | 1.55  | 111          | 1.31  |
| <b>Total Sales - Net</b>         |                 | <b>7,612</b> |       | <b>7,243</b> |       | <b>8,451</b> |       |

**Note :** (i) LST has been the distributor for UFC products in the domestic market since March 2006.

### News Highlights of previous year

#### **Company's Policy : The appointment of Audit Committee and Nomination Committee whose terms expired in 2014**

- The Board Meeting No. 2/2014 on 9 May 2014 resolved to re-elect the Audit Committee whose term expired on 12 May 2014 for another term of 3 years, with effect from 12 May 2014 until 12 May 2017, as proposed by the Nomination Committee. The Audit Committee comprises as follows:-

|  |  |
|--|--|
| (1) Art-ong Jumsai Na Ayudhya, Ph.D.         | Chairman of the Audit Committee and Independent Director       |
| (2) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Member of the Audit Committee and Independent Director         |
| (3) Mr. Banchong Chittchang                  | Member of the Audit Committee and Independent Director         |
| (4) Ms. Jirasuda Sumpaotong                  | Secretary to the Audit Committee and Senior Accounting Manager |

The scope of duties and responsibilities remain unchanged.

- The Board Meeting No.4/2014 on 7 November 2014 resolved to re-elect the Nomination Committee whose term expired on 13 November 2014 for another term of 3 years, with effect from 13 November 2014 until 13 November 2017. The Nomination Committee comprises as follows:-

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

The scope of duties and responsibilities remain unchanged.

#### **Production and Investment : The productivity improvement of new packing lines**

- The Bangpoo refinery has planned to invest 400 million Baht to improve the productivity of packing line, which is targeted to complete in Q3 and Q4/2015. Furthermore, it would invest another 31 million Baht to install a new vacuum system to eliminate odor enhancing the environment-friendly and energy cost saving.

Page 39 for more information

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

- To strengthen the bakery business, the Company expanded its bakery business in 2014 by launching "Daisy" brand chocolate coating, a premium quality multi-propose baking chocolate suitable for making cake and coating. At the same time, "YOK" palm olein in 5-liter bottle was launched to support the expansion of food shop and small restaurant channel, together with Canola Oil in 13.75-liter square tin to be a new choice for Japanese restaurant business, alongside Soybean Oil.
- Universal Food Plc. modernised the design of its packaging for its UHT fruit juice products including orange, grape, apple, pineapple, and mango. UFC 100% coconut water is also now available in foodservice channels e.g. international school, golf courses, fitness center, home delivery and airline.

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

Being a commodity, the price of CPO is highly volatile. The monthly average price of CPO in 2014 ranged between 24.27 and 34.50 Baht/Kg (2013 : 23.02 – 31.90 Baht/Kg). The average price in 2014 was 28.57 Baht/Kg, increasing by 13.19% from 2013, compared with the average price in global market at 24.03 Baht/Kg. The high volatility of local price during the year together with the huge price difference between local and global price is exacerbated by inadequate inventory management. Besides, the peak season of palm crop delivers abundant output leading to accumulated CPO stock balance which normally push the prices of FFB and CPO down sharply. Such circumstance may lead growers to protest and price intervention is likely to be introduced by the Government.

The short period of time left before the ASEAN Economic Community (AEC) comes into effect within 31 December 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**

Your Company's major raw material and finished product are subject to price controls. The selling price of palm olein, especially packed oil below 5 litres, is controlled 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.

In the circumstances, 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 price 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 have increased the volatility in output each year or during the year, leading to government intervention.

## 2014 Overview

| 2014 | Production (MT.) |         | Price (Baht/Kg.) |       | Highlights   |
|------|------------------|---------|------------------|-------|--|
|      | FFB              | CPO     | FFB              | CPO   |  |
| Q1   | 2,953,413        | 473,532 | 5.67             | 33.07 | CPO stock at critical level 150,868 MT in January                              |
| Q2   | 4,256,909        | 700,359 | 4.21             | 27.40 | FFB output reached a monthly peak of 1.57 mil MT in May                        |
| Q3   | 2,891,780        | 509,988 | 4.79             | 25.48 | CPO price in global market slightly decreased due to the bearish soybean price |
| Q4   | 1,757,213        | 316,731 | 5.31             | 28.32 | FFB output dropped sharply but palm oil stock in Malaysia gradually piled up   |

### FFB output and CPO production

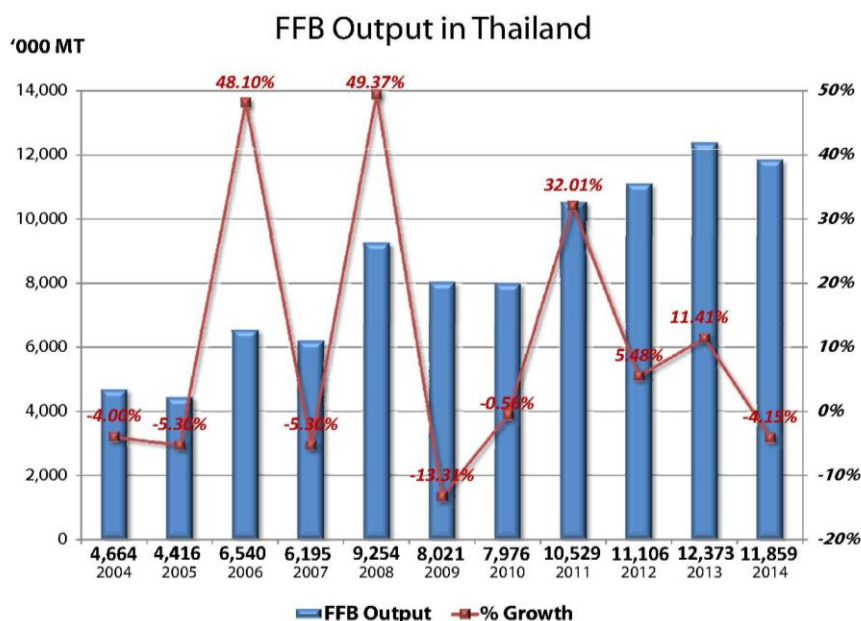
Despite an increase of planted area, Fresh fruit bunch (FFB) produced in 2014 overall was comparable to that obtained in 2013 but fluctuated from month to month. It reached a monthly peak of 1.57 million MT in May but subsequently fell to around 0.4 million MT in December. The effect of drought weather and lack of rainfall in the first quarter of 2012 devastated oil palm inflorescent development and resulted in lower yield later in the year. Total Crude Palm Oil (CPO) production in the Kingdom in 2014 was 2,000,610 MT, compared with 2,135,183 MT in 2013; Oil Extraction Rate (OER) was 17.18% (2013 : 17.54%). The CPO stock at the end of 2014 was 167,591 MT, compared with 203,999 MT at the end of 2013 (figure from the Internal Trade Department). The operational OER was less than optimal due to unregulated intermediary FFB collection ramps which now number over 2,000 units and intense competition among mills in crop procurement.

Q1 : CPO stock decreased from December 2013 at 203,999 MT to critical levels of 150,868 and 154,349 MT in January and February 2014 respectively. Furthermore, the average Oil Extraction Rate (OER) was only 16% (Q1/2013 : 17.3%).

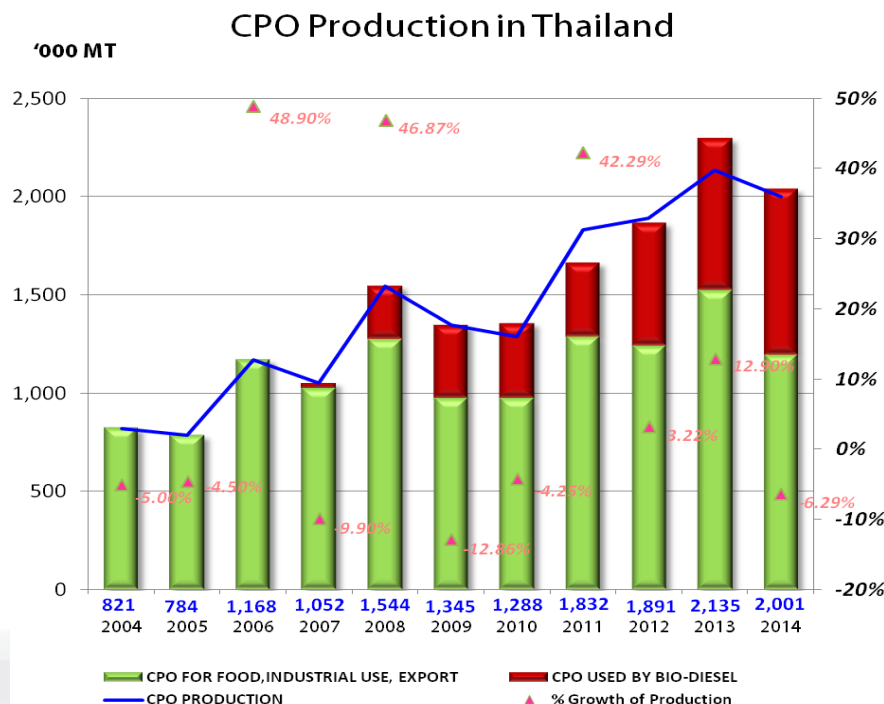
Q2 : At the crop peak season, the nationwide volume of FFB was as high as 4.2 million MT, an increase of 28% compared with the same period of the previous year.

Q3 : FFB produced nationwide was only around 2.90 million MT, lower than the previous year. The lack of rainfall for several months at the beginning of the year had caused a seasonal shift of output.

Q4 : The crop output dropped sharply to only 1.76 million MT.



Source: Internal Trade Department



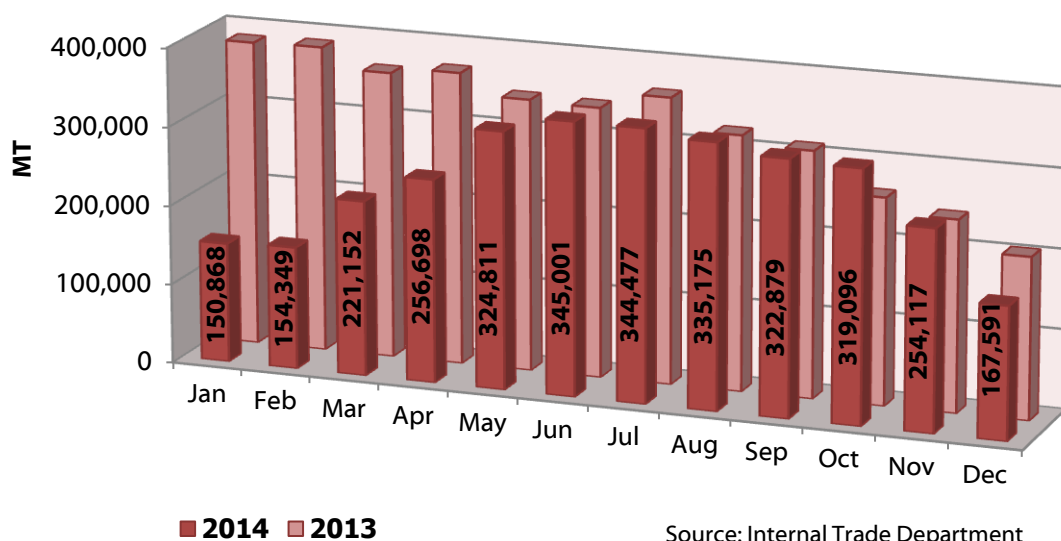
Source: Internal Trade Department

## Importation of CPO

At the beginning of the year, producers of bottled cooking oil, the price of which has been controlled by the Internal Trade Department at 42 Baht/bottle (VAT included), requested to raise the said ceiling price as they could no longer bear the higher raw material cost. Therefore, the Office of Agricultural Economics called a meeting with The Thai Oil Palm Board on 28 February 2014 to monitor the situation of oil palm and palm oil, and to consider the importation of CPO amounting 40,000 MT. However, with the start of the crop season, there was more FFB output, leading to the CPO importation being held back.

At the year end, less FFB output to only 390,582 MT in Dec 2014 reduced the nationwide palm oil stock to 167,591 MT which began critical again. Therefore, the Cabinet on 20 Jan 2015 endorsed the proposal to import 50,000 MT of crude palm olein to tackle the shortage problem. In addition, the proportion of CPO to be blended into diesel was reduced from B7 to B3.5.

## Stock of CPO Equivalent in 2014



Source: Internal Trade Department

## INDUSTRY OVERVIEW AND COMPETITIVENESS

### Processing capacity

**1. Crushing mills:** The number of CPO crushing mills has increased from 91 in 2013 to about 108 mills at present, giving rise to a current total milling capacity of over 25 million MT of FFB per year. This is significantly higher than the FFB output recorded in 2014 at about 12 million MT; and the capacity utilisation rate of crushing mills was around 50%. 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.

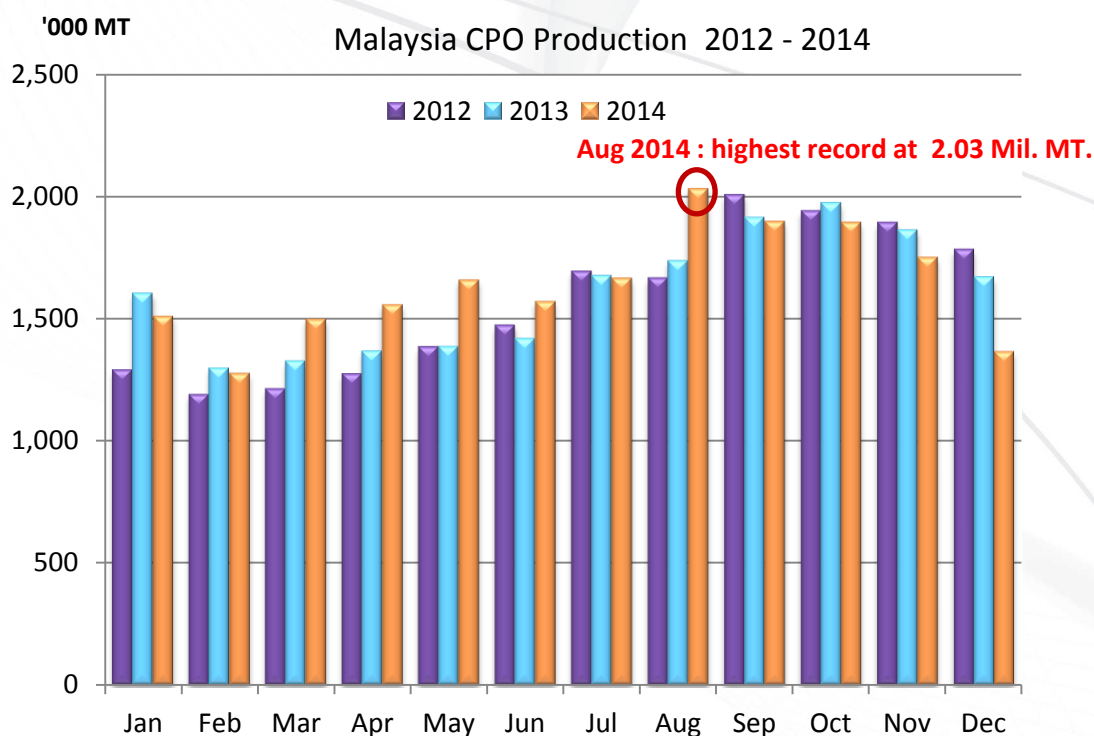
**2. Refineries:** As for the downstream industry, there are a total of 16 refineries in Thailand giving a current refining capacity of about 2.5 million MT of input per annum. The capacity utilisation is estimated at 70%. There are fewer players when compared with a large number of crushing mills because there is a barrier for newcomers in the form of huge capital investment cost, know-how, and technology. Nevertheless, competition among refineries started to be intense in recent years as the new players apply price strategy to enhance their market shares.

**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

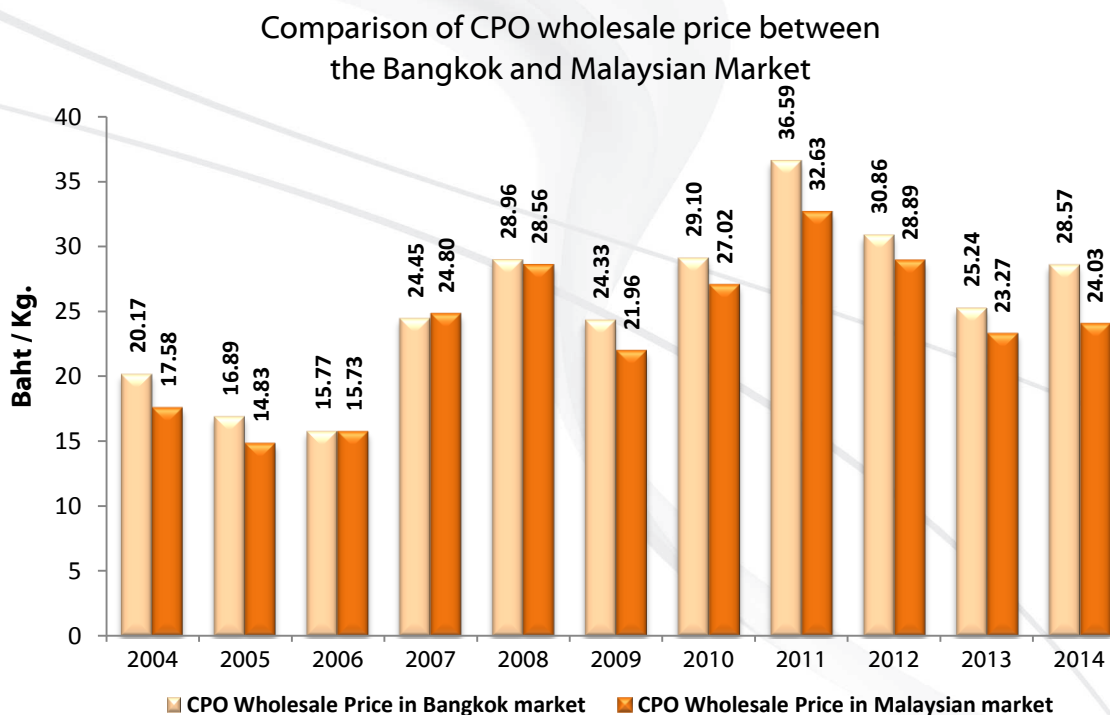
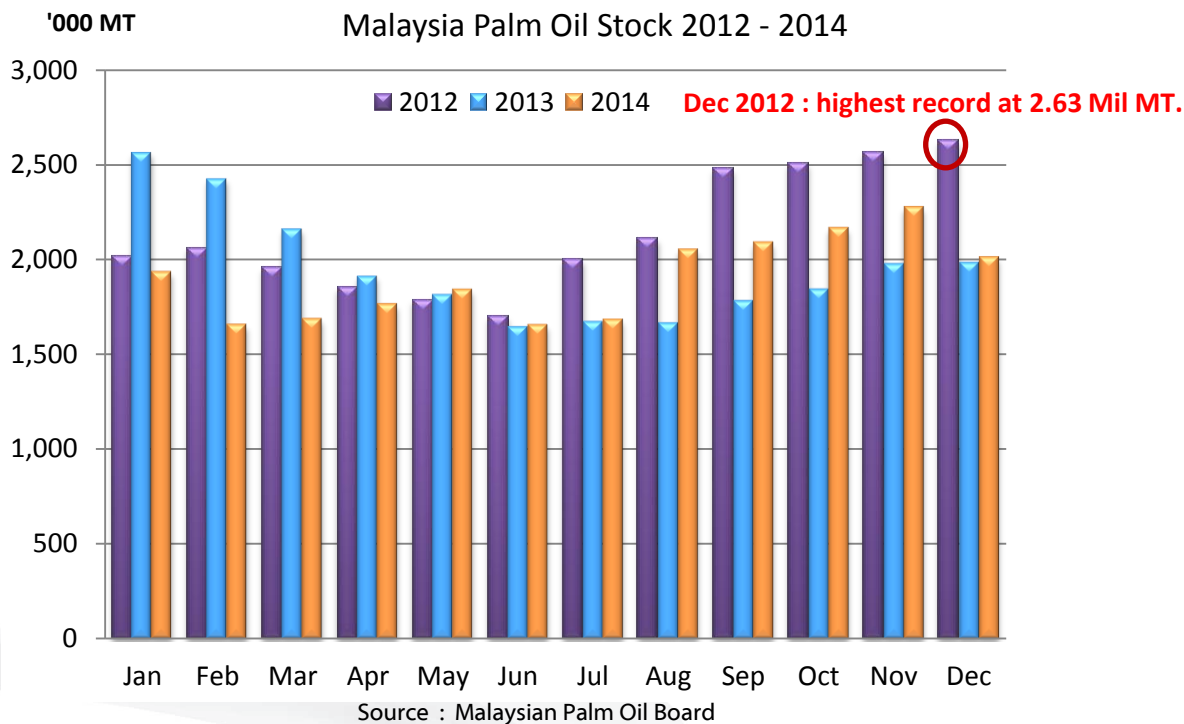
In 2014, average CPO price in global market were about the same level as 2013. The Bursa Malaysia Derivatives : 3rd Month market price reached the highest at 2,905 RM/MT in March and decreased continuously until brought the annual lowest at 1,903 RM/MT in August. The average annual Bursa Malaysia Derivatives : 3rd Month price was 2,396 RM/MT, a 0.83% decrease from 2013 when it was 2,416 RM/MT.

The major factors influencing the market condition and palm oil price movement in 2014 included downward pressure from seed oils due to output of seed oil increasing and petroleum price which continued falling to below five-year minimum. Another factor was the palm oil stock of Malaysia. The stock accumulated during the second half of the year, and hit the threshold level of 2 million MT in August before reaching the top at 2.28 million MT in November. Likewise, CPO production in Malaysia was highest at 2 million MT in August. This caused the global CPO price softened during the second half of the year.





## INDUSTRY OVERVIEW AND COMPETITIVENESS



Monthly CPO prices in the Kingdom in 2014 varied between 24.27 – 34.50 Baht/kg (2013 : 23.02 – 31.90 Baht/kg); likewise FFB prices varied between 3.91 – 6.09 Baht/kg (2013 : 3.43 - 5.53 Baht/kg) (figures from the Internal Trade Office). The annual average FFB and CPO prices were 5.00 and 28.57 Baht/kg (2013 : 4.16 and 25.24 Baht/kg).

At the beginning of 2014, the local FFB price rose continuously from 5 Baht/Kg at the end of 2013 to higher than 6 Baht/Kg during February – early March 2014. CPO price was pushed up to the highest at 35.50 Baht/Kg in February 2014. Later, when the crop season came, the FFB price was pressed down dramatically to below 4 Baht/Kg at the end of March 2014, reducing CPO price from 35 Baht to 26-27 Baht/Kg.

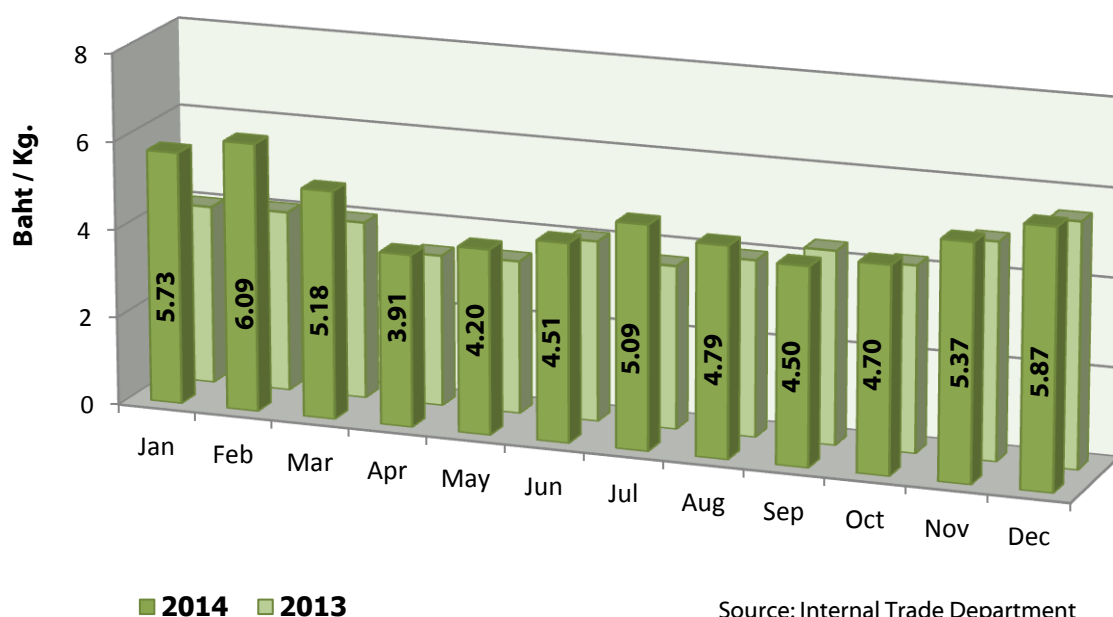
## INDUSTRY OVERVIEW AND COMPETITIVENESS

In Q2/2014 FFB price still held at low level at 3-4 Baht/Kg. and CPO price at 26-27 Baht/Kg whereas in Q3/2014, more intense competition between crushing mills had pushed up the average FFB and CPO prices to 4.79 Baht/Kg. and 25.48 Baht/Kg. respectively. In the meantime, CPO price in the global market slightly decreased due to the bearish soybean price resulting from the ample supply of the crop, coupled with the less concern over the El Nino weather phenomenon at the year end. As palm oil stock in Malaysia gradually piled up, the Malaysian government announced in early September to scrap an export tax on palm oil to boost shipments and reduce the accumulated stock, followed by Indonesia announcing the same measure for the same reason.

In Q4/2014 FFB price was again pushed up to 6 Baht/Kg, driving the local CPO price above 30 Baht/Kg, even though the global price of CPO at the year-end was declining in tandem with the sharp decline in petroleum oil price. The price gap between the CPO from local and global market widened to as high as 10 Baht/Kg at the year-end. The huge price difference brought an active windfall to oil smugglers at the southern border of Thailand as reported in the mass media.

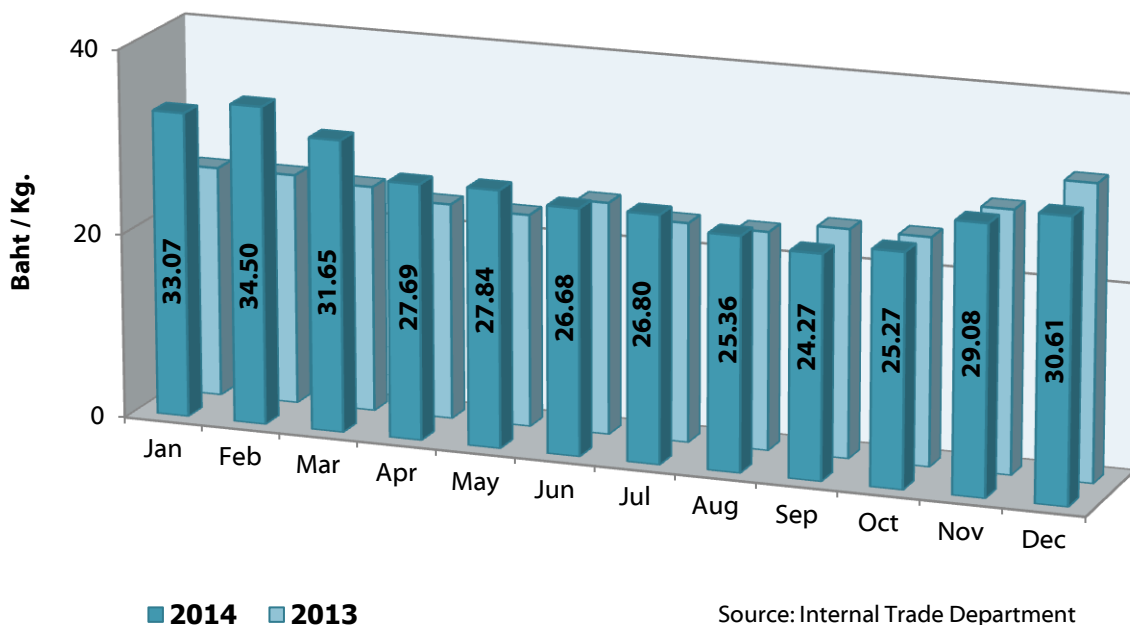
The government was determined to maintain the optimum palm oil stock at 200,000 – 230,000 MT at all times to keep the equilibrium between demand, supply, and palm oil price. Besides the discretion to allow the importation of palm oil from time to time, another instrument used in parallel to control the stock level is an adjustment of CPO proportion to be blended into diesel; for instance, at the end of 2013 when FFB output getting less, it announced the delay in implementation of B7, instead applying B4, until April 2014, when the higher crop was reported, and then in May 2014, it announced again to raise the proportion to B7 until January 2015 when B3.5 was announced to replace B7 to cope with the nationwide palm oil stock getting low.

FFB Price movement in 2014  
(17% OER; delivery to major crushing mills)



Source: Internal Trade Department

CPO Price movement in 2014 (Delivery to Refinery)



Palm Oil Production and Price Outlook for 2015

The decreasing FFB quantity and consequent lower CPO volume in the last two months of 2014 will be carried until the upcoming peak FFB crop in the first quarter of 2015. And if the FFB price were to drop below 4 Baht/kg, repeatedly would likely lead to protest by oil palm growers and interventions by state government such as by adjusting percentage of CPO blending in Bio-diesel to be aligned with the CPO supply situation, to enhance the price stability of palm oil.

In 2015 the planting area is estimated to expand at the similar rate as 2014 i.e. 0.3 million rai. Moreover, the low rubber price and the policy to subsidise 26,000 Baht per rai in case farmers convert rubber to oil palm planting area but limited within the annual budget might encourage growers to reduce planting and convert to be other crops especially oil palm. By this mean, an estimation of additional replanting area is expected around 0.05 million rai.

Furthermore, the continual increase of harvesting area for young palms is a reason to higher crop expected in 2015. The drought conditions in the previous two years also affected number of FFB to be harvested in 2015. Therefore, considering the weather condition in 2013, it showed rather minimal effect to the palms hence rational yield would be obtained. However, if El Nino phenomenon caused prolonged dry period in the early 2015, it would affect the immediate yield by reducing bunch weight and as a consequence, bunch failure or abortion would also reduce yield about 6 -11 months later. The forecast of better FFB for 2015 is 14.5 million MT and would be around 13.5 million MT if adversely affected by serious drought within the year.

In terms of demand, the edible consumption in 2015 is estimated the same as 2014, at 1 million MT, and the usage from Bio-diesel will depend on petroleum price and local CPO price. In case the average price of petroleum is not exceeding 80 USD/barrel with the same price gap between local CPO and global CPO as in 2014, it is likely that 3.5-4% mixture to be implemented for the whole year. In such, the demand for CPO to produce Bio-diesel will decrease around 340,000 MT to 480,000 MT.

Overall, it is expected that in 2015 big difference between the local CPO price and the lower global price will remain at around 3-4 Baht/Kg on average. Assuming petroleum price at 80 USD/barrel maximum, local CPO price might be ranging around 26-28 Baht/Kg and FFB price at 4.50-5.00 Baht/Kg.

### Factors affecting world palm oil industry in 2015

1. Petroleum price : The falling price of petroleum and eventual collapse to below 50 USD/barrel, dropping more than 50% during 6 months, put immediate pressure on palm oil market. In 2015 petroleum price is expected to be in the range of 60-80 USD/barrel in the first half with the prospect of upward movement in the second half after the next OPEC conference (5 June 2015), which may consider the new strategy on crude oil production.
2. Prices of seed oil : Upside potential for CPO price is likely to be limited by the prices of seed oil in EU and US, which is expected to maintain at the low level for the whole year.
3. Asian economy : The Asian economy is anticipated to improve in 2015, driven by the heavy fall of petroleum price resulting in an increase of consumption demand for food products including palm oil.
4. Implementation of Bio-diesel in Malaysia and Indonesia : In Malaysia, national implementation of the current 5% minimum palm content in Bio-diesel ran into problems in early 2014 due to delays in construction work of some blending facilities, causing the delay of B5 implementation from July to December. Nevertheless, the B7 Bio-diesel blend was imposed in Peninsular Malaysia in November 2014 boosting the domestic use of Bio-diesel to 575,000 MT a year. Indonesia too, has a policy to raise the palm oil blending percentage into diesel from 7.5% to 10%, and the next target set at 20%.

### 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 for successful oil palm industry 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 with the programs to promote awareness of health and safety of growers, environment conservation, soil and water management, and proper use of resources.

The Roundtable on Sustainable Palm Oil (RSPO) management system provides international standard criteria, methods, and guideline for operation but allows each country to adopt their own contents to situate particular condition of technology, social and economics. In 2014, about 11.7 million MT certified sustainable palm oil (CSPO) was produced from more than 2.6 million hectares, compared with 2008 and 2011 at 0.619 and 5.6 million MT, respectively.

Furthermore, today each crushing mill improves its technology to enhance 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.

An increase of palm oil blending proportion for Bio-diesel product worldwide offers another role of palm oil as eco friendly Bio-diesel, which being biodegradable in nature is harmless to the environment. This 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 Thailand.

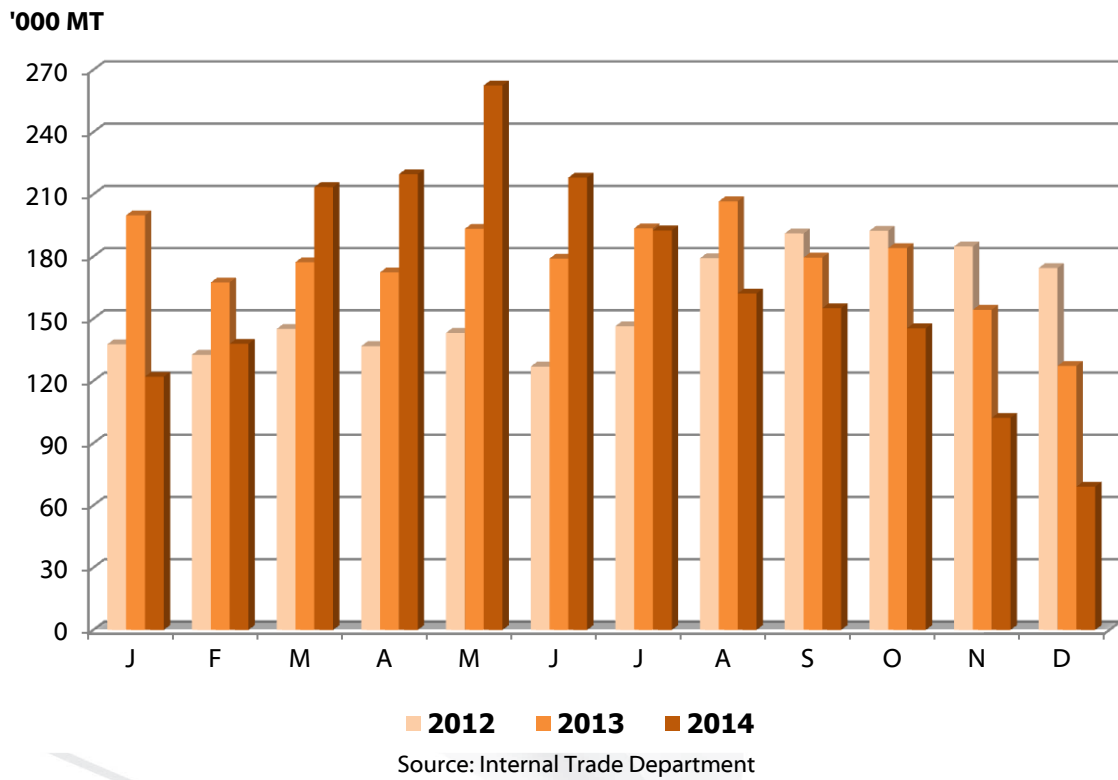
In the near future, the ASEAN Economic Community (AEC) shall be the goal of regional economic integration of the members of ASEAN Free Trade Area (AFTA) by 2015; which will significantly influence palm oil industry in the region to trade more freely. In the Kingdom of Thailand, palm oil formerly has set as volatile goods and progressively decreasing import tax to be 5% at 2007 and 0% at 2010. Further, the Kingdom under the AEC must completely eliminate nontariff and tax barriers within 31 December 2015. 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, the FFB price decreases, will inevitably affect small holders who form the majority of oil palm growers.

For the medium to long term, the trend of exploration and production of lower cost shale gas as a substitute for petroleum will have an influence on stabilising petroleum price. Overall, as an importer whose demand for natural gas is continuously increasing, Thailand would benefit in terms of lower production cost. Transportation sector will shift to use more natural gas. But if natural gas gradually replaces other petroleum, then the Bio-diesel may be adversely impacted.

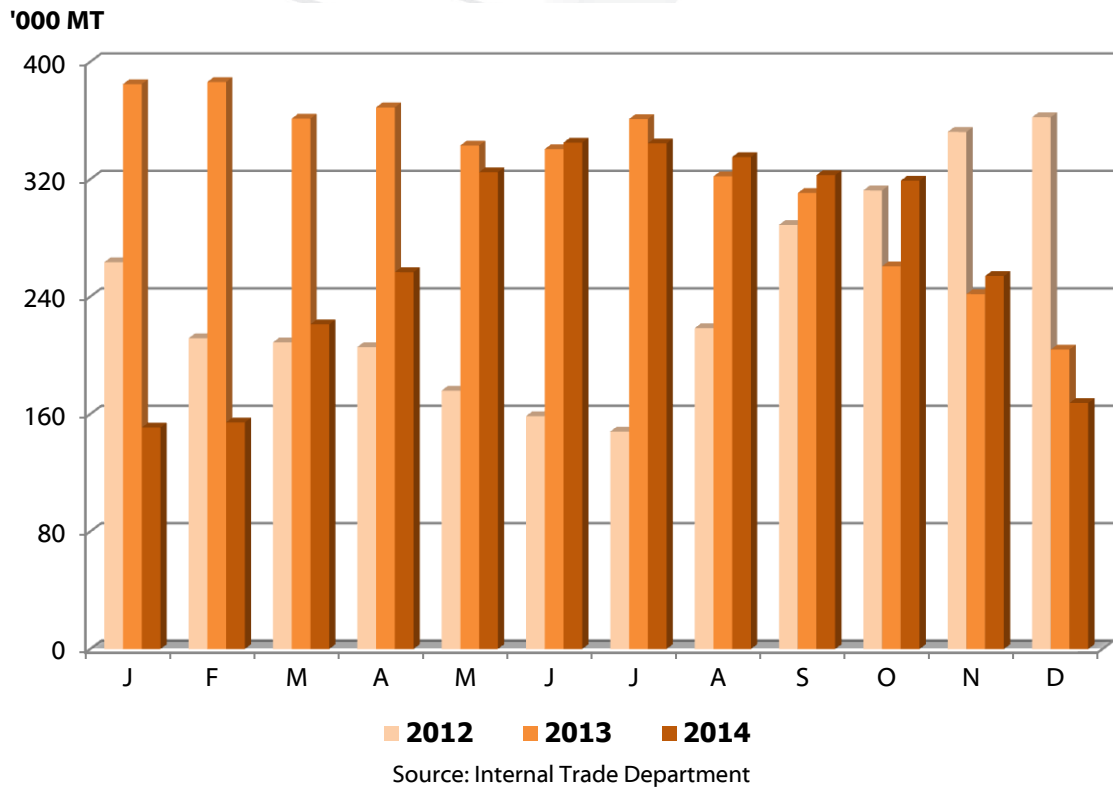


# INDUSTRY OVERVIEW AND COMPETITIVENESS

## PRODUCTION OF CPO

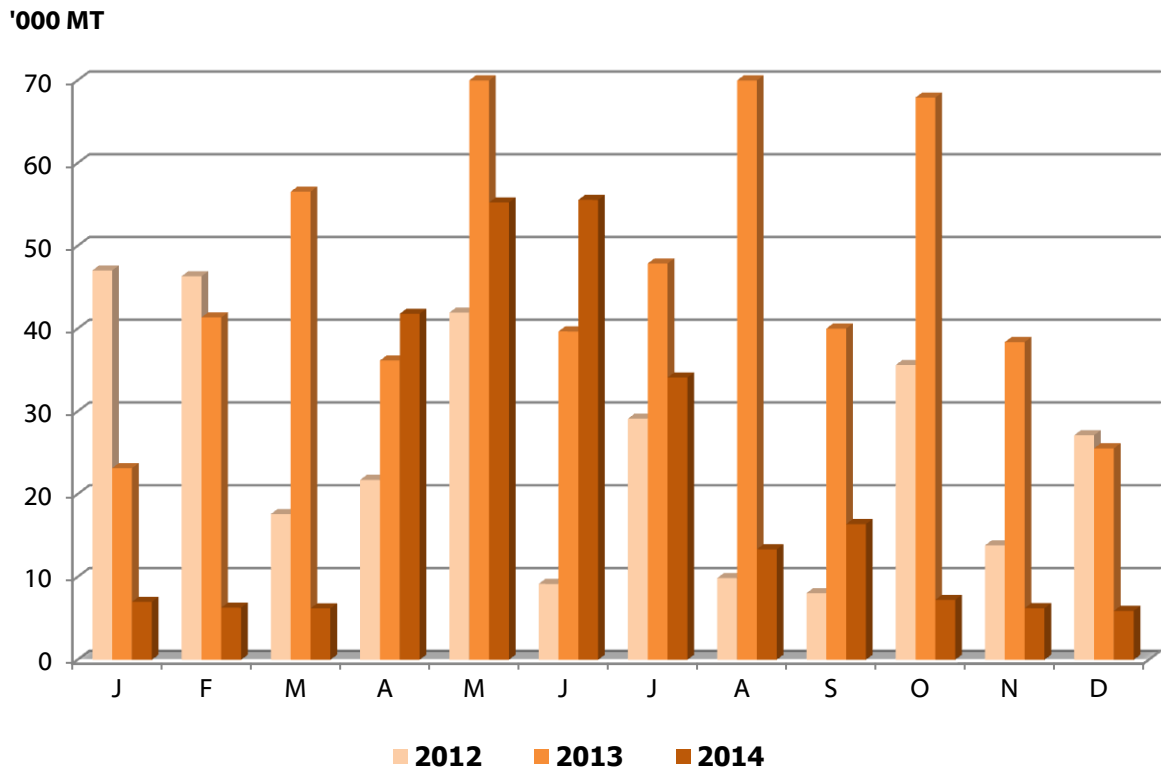


## CLOSING STOCK OF PALM OIL



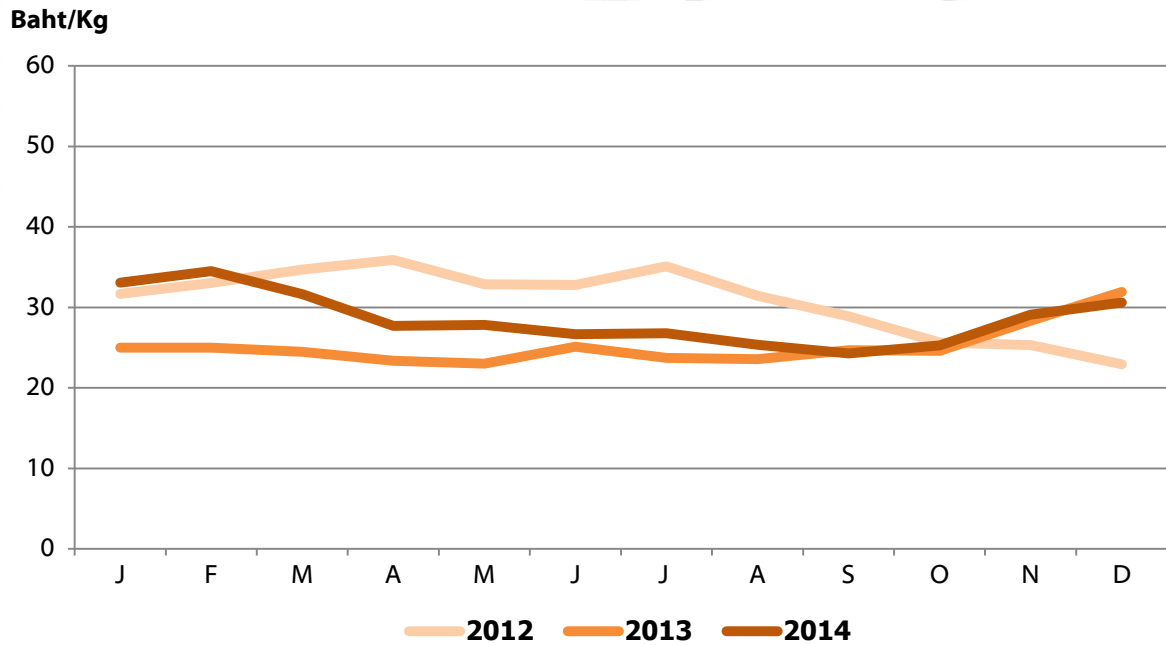
# INDUSTRY OVERVIEW AND COMPETITIVENESS

## 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 2014, price competition in the palm oil business intensified; the Company continued to control cost and emphasise brand building through television media and in-store media. The Company received the symbol of THAILAND TRUST MARK (TTM) from the Department of International Trade Promotion (DITP), Ministry of Commerce. This mark, which guarantees that YOK Vegetable Oil has been chosen as a quality product from Thailand, provides a marketing opportunity to build trust in consumers' mind, not only in Thailand but worldwide.

Regarding Naturel Brand, we continuously communicate to those who value health through television media and direct to consumer in supermarkets and office buildings.

#### 1.2 Margarine & Shortening

In response to the expanding bakery market, the Company launched the multipurpose - chocolate under "Daisy" brand for bakery application to strengthen the bakery business of the company. It was introduced to the amateur and professional baker and bakery school in order to encourage adaption of our product at the very starting point. We also collaborated with a famous food magazine to make our brand reach our target consumer.

#### 1.3 Packed fruits and vegetables and Beverages

Following the successful in-roads into a various export markets, UFC Refresh 100% Coconut Water in the new 1 liter Prisma Pack was launched in the domestic market. As part of the marketing support plan, UFC Refresh 100% coconut water was featured in several outdoor activities including The Mall Inter Bicycle Show (August 2014), Bangkok Post Mini-marathon (August 2014), Central Group Run (September 2014), Bangkok Car-Free Day (September 2014) and others. Consumer gave positive feedback on the naturally good taste of the product.

The UFC 100% fruit juice range was re-launched with new premium-looking designs in the domestic market in June 2013. Visibility of our brands on the retail shelves improved. Our task force conducted sampling activities in various channels in the course of the year.

### 2. Sales & Distribution

#### 2.1 Domestic

a) Fast-moving consumer goods (FMCG) market overview: In the first half of year, overall FMCG market slowed down with sales volume declining. The purchasing power of consumer was affected by the higher cost of living and the concern about the political unrest. Therefore, consumers were cautious on their spending. Media expenditures were also cut while there were no major launches. After the political change, sales and marketing activities in the market improved overall. Nevertheless, the total year growth for Thai FMCG in 2014 was very minimal.

b) Hypermarkets and Convenience Stores: Yok is one of leading cooking oil in the Modern Trade Channel thanks to the very good support from major retailers. In store media and quality promotions were two key success drivers.

Year-on-year both sales volumes and values grew more than 50%. For the years to come, alongside our branded oil we will seek opportunities in contract packing businesses with key retailers which are among our strategies to lower fixed overhead costs.

2014 was also another good year for premium oils. Our Naturel grew around 60% compared to LY mainly driven by 70-120 Baht per bottle segment. We still have strong faith in healthy oil business which we will continue to invest in.

c) Traditional Trade: At present, the competition amongst traditional stores is very intense. In view of the many segments within this channel i.e. beverage category, HoReCa (Hotel Restaurant Catering) category, food category, etc. The Company has adjusted the strategic policy and selling practice to particularly response to the customers' needs. Moreover, the Company had to protect its market share from the other players who also expand their product line closer to our product ranges. We also seek opportunities to penetrate into the new customer base, also enhance the selling potential to deliver our products and services to our valued customers and entrepreneurs effectively, for example, the launch of new product at reasonable price, prompt customer service, instant problem solving, error minimization of selling process, etc.

d) Food Service: We grew about 10% in this channel, slower than expected. This was due to the political unrest at the beginning of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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Price competition is tougher as more competitors enter this channel. As a result, our R&D team seeks to differentiate our product qualities, specifications, which also include packaging to sustain loyalty of our customers. We have started to test premium oil market in this channel and there has been interest from some group of customers. We expect this trend to continue in the coming years.

### 2.2 Export

Sales of UFC Refresh 100% coconut water more than doubled in 2014 year-on-year. Core markets included USA, Canada, UK, Australia and New Zealand. Commendable progress was also achieved in China, EU and selected ASEAN countries. Increased marketing initiatives, advertising and promotion activities were implemented to establish UFC as the preferred brand of 100% coconut water.

Exports of canned vegetables, especially Baby Corn in brine declined due to weaker market demand and price competition from the region. Exports of canned fruits, in particular for canned tropical fruit salad, have also been adversely affected by both the shortages in supply and the higher cost of pineapples.



### Operations Overview

#### 1) Productivity improvements

##### ***Bangpoo Refinery***

- Investment of 31 million Baht to install a new vacuum system to eliminate odor will reduce the environment impact. This machine can also save the energy cost of around 7.6 million Baht a year.
- Investment of 400 million Baht to improve the productivity of packing line, which is targeted to complete in Q3 and Q4/2015.
- Improvement of palm oil degumming process with the investment of 3 million Baht. The process can reduce the usage of bleaching clay, and save approximately 0.8 million Baht per month.
- Improvement of palm oil fractionation process. The process would increase palm olein yield by 2-3%.

##### ***Trang Crushing Mill***

- Participated in Industrial Supply Chain Efficiency Project of the Department of Industrial Promotion, which can improve the efficiency of supply chain process, cost and waste reduction, and improve the machine utilisation efficiency under supervision of IQS Management Company.
- Joined the research project namely "The flow path analysis of the oil palm and its products that benefits to the energy and food sectors", by National Metal and Materials Technology Center, Thailand (MTEC). The findings from the research can be applied on economical analysis for cost assessment.

##### ***UPOIC Krabi***

- Joined the palm cluster which was initiated by Industrial Promotion Region 10 (IPC 10) but later each crushing mill took turn to be host, and submitted its KPI data on monthly basis. UPOIC received the excellent KPI award for using less white clay at 1.7-1.8, compared with the normal usage of 2.2.
- Joined the Gas Engine research team of Prince of Songkhla University in Had Yai. The purpose of this group is to discuss Biogas maintenance system and Gas Engine including the spare parts management.
- Improved the efficiency of Gas Engine system to increase the production capacity and sell 20% of more electricity.
- Joined the project to explore and set the guideline for efficiency improvement of Biogas Production as an alternative energy source for the industrial sector. Also, UPOIC joined the improvement of steam system in palm oil mill project organised by the Department of Industrial Work in collaboration with King Mongkut's University of Technology Thonburi.

### ***UFC Nakhon Pathom***

- An investment of 8.5 million Baht in the new high speed filling and seaming machine increases the rate of production from 300 cans to 450 cans per minute.
- An additional holding tank was installed to enhance the security of adequate raw coconut water supply for production.
- Investment in the automatic wrap-around case packer for UHT products reduces packaging and labor cost by about 10 %.
- Conversion to piece-rate labor for the production of young corn reduces labor cost by about 12 %.

## 2) Awards and Standard Certifications

### ***Bangpoo Refinery***

- On 19 March 2014 the Company's Bangpoo Refinery was granted the TLS 8001-2553 Award in compliance with the Standard for Corporate Social Responsibility of Thai Business from the Department of Labour Protection and Welfare, the Ministry of Industry.

### ***UPOIC Krabi***

- UPOIC's crushing mill was certified as the level 3 of the Green System under the Green Industry Project of the Ministry of Industry on 26 August 2014.
- UPOIC's crushing mill has been awarded the CSR-DIW Continuous Awards 2014 in compliance with the Standard for Corporate Social Responsibility from Department of Industrial Work, the Ministry of Industry, on 21 September 2014.

### ***UFC Nakhon Pathom***

- Kosher OU certification from Union of Orthodox Jewish Congregations of America was achieved for Nakhon Pathom plant.
- Compliance with the Energy Conservation ( Act 2, 2007 ) and Preparation of Energy Management System was awarded to Nakhon Pathom plant.

### 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.

#### 6.1 Award for good environmental governance

On 19 September 2014 the Company received an award for good governance of the environment in the plant from Department of Industrial Works. This project encourages good governance such as implementing the waste management and declares the fact to the community for the sustainable development of industrial establishment and society. The project is run by the Trang Provincial Industry Office with 5 participating palm mills and rubber plant.





## 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.

### 7.1 Blood Donation

The Company arranged for staff at Bangpoo refinery to donate blood every three months. Most recently which is 21 times was on 28 October 2014. The Company will continue this activity to help the fellow men and society.



### 7.2 Visit by King Mongkut's Institute of Technology Ladkrabang (KMITL) to the Bangpoo Refinery

On 4 February 2014, a group of instructors and master degree students of Agro Industry Faculty of KMITL visited LST's Bangpoo refinery to study the palm oil refinery and packing line, and margarine and specialty fat production. LST hopes by hosting the instructors and students, to create a good relation and exchange of technology knowledge; also, it was an opportunity of LST to introduce students to work with the company.





### 7.3 Pre-Audit of the Community Enterprise Growers of Sustainable Oil Palm

In September 2014, TUV North pre-audited the Community Enterprise Growers of Sustainable Oil Palm (Sikao - Wang Wiset). The Company aims for the Certification in early 2015, with a total 80 growers as membership.



### 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.

## Financial Overview

### Financial performance analysis and explanation

#### 1. Operating results

Sales value increased by 18.3% due to the 16.41% increase in CPO price and the corresponding increase in average selling price. Sales volume increased by 4.55%. Due to the average cost of CPO to the Company increasing greater than the average selling price, gross profit dropped by 70.1 million Baht and net profit of the Company itself decreased by 104.92 million Baht or 27.22% in 2014. The major reason was the shortage of CPO during the Q1/2014 while the price of bottled cooking oil could not be raised aligning to the raw material cost, as it has been controlled by the Internal Trade Department.

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>                         |
|------------------------|--|
| 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>  |
|------------------------|---|
| 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 |

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).

For its subsidiary UPOIC, the overall processed FFB crop from own estates and concession land decreased by 19.1% compared to 2013. Output from its own planted area decreased by 22.9% and from concession land reduced by 15.4% influenced by prolonged drought during 2013 in inflorescence flowering stage hence the reducing of average bunch weight and arising of inflorescence abortion.

The concession land at Khiansa Estate with the Forest Department was expired since 8 July 2014. On 11 December 2014, the subsidiary was given permission from the Treasury Department to extend the lease at a half of used area based on the permission of the Forest Department dated 9 July 1984. The renewal was given for the period from 9 July 2014 to 8 July 2029. The other half of used area would be allocated to the poor people who own no land at the rate of 10 rai/person. During the allocation period, the Treasury Department allowed the subsidiary to have right to make use on the land and pay the determined rental fee until such allocation is completed.

Separately, concession at Chaiburi estate, expired on 1 January 2015 and the subsidiary has requested the Forest Department to grant a permit to exploit or inhabit such land. The request is under consideration.

## MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, the subsidiary continued its replanting programme to replace fully mature and less productive palms. This continuous replanting programme, which commenced in 2001, has been completed at 88.6% out of the targeted area (excluded subsidiary's concession land).

The subsidiary decreased the purchase of outgrower crops by 5.0%. The volume of own FFB crops also decreased by 19.1%. As such, of the total volume of FFB processed which decreased by 11.5% from 2013, 50.9% was from FFB purchased and 49.1% from own estates (2013 : 46.9% and 53.1% respectively).

The cost of outgrower crops increasing by 13.1% due to the demand supply mechanism, together with a 33.5% increase of the cost of own FFB crops, resulted in the cost of total FFB processed increasing by 23%. As a consequence, CPO and CPKO cost at subsidiary's crushing mill increased by 16.1% and 17.5% respectively.

Another subsidiary, UFC, recognised sales turnover increasing by 7.6%.

As explained above, the net profit of equity holders of the Company on a consolidated basis increased from 250.34 million Baht to 380.67 million Baht, or 52.07% from 2013. Net profit margin in 2014 was 4.45% (2013 : 3.41%).

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

### **Revenues**

**Revenue from sales :** Net Sales under LST and its subsidiaries increased by 1,207.7 million Baht or 16.67%. Sales of LST products increased by 1,072.4 million Baht or 18.30%, deriving from 4.55% increase in sales volume and 13.75% increase in the average selling price due to the increase of CPO cost, the major raw material.

At its subsidiaries, net sales increased by 135.3 million Baht or 9.77% due to sales of other palm products increasing by 7 million Baht, sales of electricity power increasing by 5.1 million Baht, sales of fruit juice, canned fruit & vegetable and others increasing by 123.2 million Baht.

**Other income :** Income other than those generated by normal operation was 98.8 million Baht or 1.16% of total revenues, a decrease of 0.6 million Baht.

### **Cost of sales and expenses**

**Cost of sales :** In 2014 the Company and its subsidiaries recorded cost of sales at 83.72% of total sales (2013 : 81.93%). Cost of sales of the Company itself increased from 87.80% in 2013 to 90.70% in 2014 because of higher CPO price explained above.

Plantation subsidiary UPOIC recorded cost of sales at 73.12% of total sales (2013 : 75.98%). This was because in Q2/2014 the volume of own FFB crops and outgrower crops increased by 33.9% and 20% respectively, reducing cost of sales; whereas sales turnover at the same period increased by 65% with the sales volume and average selling price of CPO and CPKO increased by 63.2% and 101% respectively.

UFC recorded cost of sales at 77.56% of total sales (2013 : 84.97%) due to cost of sales in beverages decreasing by 8.90%.

**Selling expenses :** In 2014 the Company and its subsidiaries recorded selling expenses at 627.5 million Baht, an increase of 30.5 million Baht (2013 : 596.9 million Baht) due to A&P expense incurred and transportation cost aligning with the increase in sales volume.

**Administrative expenses :** Administrative expenses in 2014 was 264.2 million Baht (2013 : 235.1 million Baht), increasing by 29.2 million Baht from the Company itself at 3.3 million Baht derived from employee benefit and consulting fee, and from the subsidiary at 25.8 million Baht mainly incurred by amortisation of cost of palm plantation.

In 2013 a subsidiary, manufacturing frozen vegetable and fruit, recognised other expenses at 105.7 million Baht from loss on impairment of assets while no such expense occurred in 2014.

**Finance cost :** Finance cost in 2014 was recorded at 52.4 million Baht (2013 : 52.3 million Baht).

### Profits

**Gross profit (GP) :** GP margin decreased to 16.28% in 2014 (2013 : 18.07%). For the Company itself, GP decreased by 70.1 million Baht because raw material cost increased at higher rate than selling price. Gross profit of its subsidiary (UFC) increased by 155 million Baht due to higher sales turnover in beverage category where cost of sales was lower. The GP of the Company and its subsidiaries therefore increased by 66.6 million Baht or 5.09%.

**Operating profit :** Owing to the increased GP and lower S&A expenses, this resulted in operating profit of the Group increasing by 112 million Baht in 2014.

**Net profit :** The Company and its subsidiary recorded the net profit attributable to equity holders of the Company at 380.7 million Baht (2013 : 250.3 million Baht), an increase of 130.3 million Baht or 52.07%, with net profit margin of 4.45% in 2014 (2013 : 3.41%).

**Dividend payout ratio :** In 2014, LST itself paid dividend for the operational year 2013 at the rate of 0.20 Baht per share representing a payout ratio of 42.56% of net profit (2013 : 0.20 Baht per share, representing a payout ratio of 51.28% of net profit in 2012). 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 2014.

In 2014 its subsidiary UPOIC paid dividend for the last half of the 2013 financial year at the rate of 0.40 Baht per share. Combining with the 0.20 Baht per share interim dividend of 2013, the total dividend paid for the 2013 financial year amounted to 0.60 Baht per share, representing a payout ratio of 88.24% of its net profit. In addition, during 2014, its subsidiary paid an interim dividend at the rate of 0.15 Baht per share. Combining with the 0.15 Baht per share dividend for the last quarter of 2014, the total dividend paid for the 2014 financial year amounted to 0.30 Baht per share, representing a payout ratio of 58.1% 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, 2014, the book value per share of LST was 3.38 Baht (weighted average number of shares at 820 million shares), an increase compared to 3.24 Baht in 2013 (weighted average number of shares at 820 million shares).

## 2. Financial position

**Assets :** At the end of 2014, the total asset value of the Company and its subsidiaries was 5,129 million Baht, a decrease of 33.7 million Baht or 0.65% compared with 2013. The major reasons are as follows:-

- **Cash and cash equivalents** was 229.8 million Baht at the end of 2014, decreasing 3.9 million Baht or 1.68% from 2013. Cash of the Company itself decreased by 19 million Baht, while cash of its subsidiaries increased by 15.1 million Baht.

- **Trade and other receivables :** Trade A/R – unrelated parties at 891.2 million Baht was recorded by the Company and its subsidiaries as at the end of 2014 (after an allowance for doubtful debt), accounting for 17.38% of total assets (2013 : 1,005.9 million Baht, accounting for 19.49% of total assets). Such A/R was mainly attributable to trade A/R of the Company, which was not yet due. Such decrease was because of lower A/R which was not yet due and A/R aging not more than 3 months. However, the average collection period was at 42 days in 2014 (2013 : 49 days).

In addition, trade A/R - related parties of the Company and subsidiary which was not due yet decreased by 2.1 million Baht.

The Company and its subsidiaries recorded A/R aging more than 3 months and cheques returned at 5.38% of trade A/R - unrelated parties (2013 : 4.32%). In the meantime, the Company already set the allowance for doubtful accounts at 86.08% of the value of A/R aging more than 3 months and returned cheques (2013 : 83.05%).

- **Inventory** was worth 1,303.1 million Baht as at the end of 2014, or 25.41% of total assets, increasing by 199.7 million Baht (2013 : 1,103.4 million Baht, or 21.37% of total assets). At the Company itself, there was an increase of 80.5 million Baht caused by higher raw material



## MANAGEMENT DISCUSSION AND ANALYSIS

price, and an increase at a subsidiary of 119.2 million Baht due to higher volume and price of inventories.

- **Other current assets** in the Company and its subsidiary as at the end of 2014 decreased by 8.6 million Baht. Such decrease was derived from the Company itself at 6.5 million Baht due to accrued income, and from a subsidiary at 2.1 million Baht due to insurance prepaid.

- **Investment properties** increased by 34.8 million Baht as at the end of 2014 because its subsidiary arranged for an independent professional valuer to appraise the value of land.

- **Property, plant and equipment** : As at the end of 2014, the net value of property, plant and equipment decreased by 86.1 million Baht or 3.95% from 2013 due to annual depreciation.

- **Cost of forest land rights and cost of palm plantation** decreased by 60.2 million Baht due to amortisation of oil palm replanted area of a subsidiary.

- **Intangible assets** : As at the end of 2014 increased by 0.6 million Baht attributed to the cost of computer software at its subsidiary.

- **Other non-current assets** : As at the end of 2014 increased by 1.1 million Baht owing to the deposit payment at its subsidiary.

### 3. Source of Fund

**Structure of Fund** : Under the consolidated financial statements, source of fund comprised 3,093.9 million Baht from shareholders' equity and 2,035.1 million Baht of liabilities, in the ratio of 60.32 : 39.68 respectively. Of the said amount of liabilities, loans from financial institutions amounted to 1,405 million Baht or 69.04% of total liabilities, comprising short-term loan at 1,330 million Baht (65.35%) and long-term loan at 75 million Baht (3.69%). The ratio of debt to equity was 0.66 times at the end of 2014 (2013 : 0.81 times). Further details are set out below:-

- **Shareholders' equity** : increased by 242 million Baht or 8.49% at the end of 2014 because net profit of a subsidiary increased.

- **Liabilities** : At the end of 2014, the Company and its subsidiaries had :-

(a) short-term loans from financial institutions of 1,330 million Baht, of which:-

- i. 890 million Baht was extended to a subsidiary, decreasing by 165.8 million Baht or 15.70%.
- ii. 200 million Baht was extended to a subsidiary due at call.
- iii. 140 million Baht was extended to the Company, which decreased by 45 million Baht or 24.33%.
- iv. 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 75 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 2014, the Company and its subsidiaries had less financial liquidity than 2013 as cash and cash equivalents decreased by 3.9 million Baht to 229.8 million Baht in 2014 (2013 : 233.7 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 2014, the Company and its subsidiaries had net cash received from operating activities at 613.6 million Baht (2013 : 1,096.8 million Baht). Such decrease was contributed by inventories increasing by 588.3 million Baht, while trade



## MANAGEMENT DISCUSSION AND ANALYSIS

and other receivable, trade and other payable, and allowance for assets impairment of subsidiary decreased by 214.8, 160.2, and 108 million Baht respectively.

**Cash flows from investing activities :** In 2014, the Company and its subsidiaries recorded net cash used in investing activities at 207.1 million Baht (2013 : 692.6 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 2014, the Company and its subsidiaries recorded net cash used in financing activities at 410.4 million Baht (2013 : 429.7 million Baht). Such decrease was attributed to the lower loan from financial institution.

### **Financial ratios**

**Current ratio** was at 1.30 times (2013 : 1.19 times) due to the improvement in trade A/R and trade A/P management.

**Quick ratio** increased to 0.59 times (2013 : 0.62 times).

**Return on total assets** increased to 8.53% in 2014 (2013 : 6%) as net profit for the year increased by 40.89%, whereas total assets decreased slightly by 0.65%.

**Return on total equity** increased to 14.76% in 2014 (2013 : 11.12%) as net profit for the year increased.

**Total debt to equity ratio** decreased to 0.66 times in 2014 (2013 : 0.81 times) due to lower debt and improved operating result hence using its own cash flows from operating activities.

**Accounts receivable turnover** was 8.55 times in 2014 (2013 : 7.34 times). The average collection period was 42 days in 2014 (2013 : 49 days). This was because trade A/R and other receivables decreased by 10.77% while sales value increased from the average selling price by 16.67%.

**Inventory turnover of finished goods** increased to 12.09 times in 2014 (2013 : 9.30 times), and inventory turnover period decreased to 30 days (2013 : 39 days). This was because cost of sales increased at higher rate than the inventory.

**Accounts payable turnover** was 15.03 times in 2014 (2013 : 16.51 times); average payment period was at 24 days (2013 : 22 days). This was because average trade accounts payable and other payables decreased by 15.07%.

### **4. Capital Expenditure**

Capital expenditure of the Group was incurred mostly for improvement of machinery efficiency. In 2015, the Company has PET In-house production project and Replacement of packing line project to replace deteriorated machines, which plan for investment 400 million Baht, and expect to be ready for production in Q4. 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 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 88.6% out of the targeted area (excluded subsidiary's concession land). Replanting in Khiansa estate, concession of which has been renewed for half of the total used area, will start in 2015 and is expected to complete in 2020.
- (c) Future capital expenditure 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.
- (d) UFC invested in a new and modern shrink wrap machine, and a high speed filler and seamer in alignment with the expansion plans of the beverage category.

### Factors which might affect financial performance in the future

Please refer to **RISK FACTORS** and **INDUSTRY OVERVIEW 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)        | 2014             | 2015             |
|-------------------------|------------------|------------------|
| for the Company         | 1,510,000        | 1,560,000        |
| for 2 subsidiaries      | 1,910,000        | 2,010,000        |
| for 5 related companies | 710,000          | 710,000          |
| <b>Total</b>            | <b>4,130,000</b> | <b>4,280,000</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) | 2014           | 2015           |
|--|----------------|----------------|
| for the Company                        | 420,000        | 300,000        |
| for 2 subsidiaries                     | 340,000        | 440,000        |
| for 2 related company                  | 100,000        | 100,000        |
| <b>Total</b>                           | <b>860,000</b> | <b>840,000</b> |

## SHAREHOLDERS AND MANAGEMENT

### Shareholders

As at 7 May 2014, 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   | 4.60                          |
| (6) CIMB Securities Limited   | 1.62                          |
| (7) Mrs. Pennipa Duangsittisombat   | 0.73                          |
| (8) The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch | 0.70                          |
| (9) Mr. Niti Chongsawadchai   | 0.65                          |
| (10) Ms. Nalin Chongsawadchai   | 0.65                          |

Source : Thailand Securities Depository Co., Ltd.

#### Note :

- (i) Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2014, 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.<br>(Major shareholders include Galatea Enterprise 75.324% whose shareholders are as follows :<br>Mr. Whang Tar Liang and his wife 54.39%,<br>Mr. Whang Shang Ying 31.58%,<br>Ms. Whang Yee Ling 14.03%.) | 51.00                         |
| (2) Mr. Whang Tar Liang   | 24.50                         |
| (3) Mr. Whang Shang Ying<br>(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 2014 was 66.21% comprising direct and indirect shareholdings of 54.48% and 11.73% respectively.

- (iii) Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2014, its shareholders are as follows:-

| Shareholder's Name       | Percentage of Paid-up Capital |
|--------------------------|-------------------------------|
| (1) Mr. Whang Shang Ying | 80.71                         |
| (2) Ms. Whang Yee Ling   | 13.86                         |
| (3) Ms. Chen Mu Hsien    | 5.43                          |

### 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,<br>Independent Director and Chairman of Audit Committee |
| (3) Ms. Anchalee Suebchantasiri                 | Managing Director  |
| (4) Assoc. Prof. Preecha Jarungidanan,<br>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 Simarajana                        | 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,<br>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,<br>Ph.D. | Independent Director and Chairman of Remuneration<br>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<br>Committee |
| (2) Assoc. Prof. Preecha Jarungidanan,<br>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 2018 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 2014, the Board of Directors held 4 meetings (4 regular meetings), with attendance shown of each member as below:-

| Name   | Attendance / Total Meetings |
|--|-----------------------------|
| (1) Mr. Whang Tar Liang                      | 0/4                         |
| (2) Ms. Anchalee Suebchantasiri              | 4/4                         |
| (3) Art-ong Jumsai Na Ayudhya, Ph.D.         | 4/4                         |
| (4) Assoc. Prof. Preecha Jarungidanan, Ph.D. | 4/4                         |
| (5) Mr. Banchong Chittchang                  | 4/4                         |
| (6) Datuk Simon Shim Kong Yip                | 3/4                         |
| (7) Mr. Whang Shang Ying                     | 4/4                         |
| (8) Mr. Ampol Simarojana                     | 4/4                         |
| (9) Ms. Piyathida Sukchan                    | 4/4                         |

### 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                            |
| (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            |
| (9) Ms. Jirasuda Sumpaotong     | Senior Accounting Manager                    |





## SHAREHOLDERS AND MANAGEMENT

### (3) Miss Anchalee Suebchantasiri

Managing Director

Age : 56 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 : 20 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 2014 : Attending the Board Meeting 4 times out of 4 times

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

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

Age : 68 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 : 8 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 2014 : Attending the Board Meeting 4 times out of 4 times  
 Attending the AC Meeting 3 times out of 4 times  
 Attending the RC Meeting 2 times out of 2 times  
 Attending the NC Meeting 2 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 : 66 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 : 8 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, DCP Update 1/2014

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

Meeting Attendance in 2014 : Attending the Board Meeting 4 times out of 4 times  
 Attending the AC Meeting 4 times out of 4 times  
 Attending the RC Meeting 2 times out of 2 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 : 58 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 : 8 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 2014 : Attending the Board Meeting 3 times out of 4 times  
 Attending the NC Meeting 3 time out of 3 times

### (7) Mr. Whang Shang Ying

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

Age : 54 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 : 17 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 2014 : Attending the Board Meeting 4 times out of 4 times  
 Attending the RC Meeting 2 times out of 2 times  
 Attending the NC Meeting 3 times out of 3 times

### (8) Mr. Ampol Simarojana

Executive Director and Factory Manager

Age : 58 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 : 20 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 2014 : Attending the Board Meeting 4 times out of 4 times

**Note :** ■ *present* □ *past*

## SHAREHOLDERS AND MANAGEMENT

### (9) Ms. Piyathida Sukchan

Executive Director

Age : 46 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 : 2 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 2014 : Attending the Board Meeting 4 times out of 4 times

### (10) Mrs. Roongnapa Phanomchoeng

Sales Manager- Industrial

Age : 56 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 : 42 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 : 41 years  
% of share holding : None  
Family relation with management : None  
Education : MBA (Major in Marketing),  
Mahanakorn University of Technology  
Bachelor of Business Administration (Major in Marketing),  
Bangkok University

Director Training Programme : None

Other Experience :

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

### (13) Ms. Jirasuda Sumpaotong

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

Age : 44 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 :

- Cost Accounting Manager, Kohler (Thailand) Public Company Limited
- Commercial Finance Analysis Manager / Senior Cost Analysis Manager,  
American Standard B&K (Thailand)
- 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 2013 | Increase (Decrease) in no. of shares during the financial year | No. of shares as of 31 December 2014 |
|--|--------------------------------------|--|--------------------------------------|
| (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 5,152,800 Baht

| Name of Directors                            | Position  | Director's fees in 2014 |
|--|---|-------------------------|
| (1) Mr. Whang Tar Liang                      | Chairman of the Board and Executive Director  | 630,000                 |
| (2) Art-ong Jumsai Na Ayudhya, Ph.D.         | Vice-Chairman of the Board, Independent Director, and Chairman of Audit Committee   | 928,800                 |
| (3) Ms. Anchalee Suebchantasiri              | Managing Director   | 249,600                 |
| (4) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Independent Director<br>Member of Audit Committee<br>Chairman of Remuneration Committee<br>Member of Nomination Committee | 991,800                 |
| (5) Mr. Banchong Chittchang                  | Independent Director<br>Member of Audit Committee<br>Member of Remuneration Committee<br>Member of Nomination Committee   | 991,800                 |
| (6) Datuk Simon Shim Kong Yip                | Independent Director and Chairman of Nomination Committee   | 549,000                 |
| (7) Mr. Whang Shang Ying                     | Executive Director<br>Member of Remuneration Committee<br>Member of Nomination Committee                                  | 312,600                 |
| (8) Mr. Ampol Simarojana                     | Executive Director and Factory Manager  | 249,600                 |
| (9) Ms. Piyathida Sukchan                    | Executive Director  | 249,600                 |

(b) Remuneration paid to the Company's Executive Directors as Executive Directors of Subsidiaries for 4 persons : 2,270,400 Baht

(c) Remuneration of all 9 persons of the Management : 105,313,338 Baht\*

(d) Remuneration paid to the Company's Executive Directors as the Management of Subsidiaries for 3 persons : 6,837,000 Baht

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

## SHAREHOLDERS AND MANAGEMENT

### Other Remuneration

The Company has paid no other remuneration, except the cost of air-ticket and accommodation for directors residing outside Thailand who attend the meetings, and the cost of director liability insurance for all members of the Board 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         |                   | *           |                               |                     | *  |
| (2) Mr. Whang Shang Ying        |                   | //          | /                             | *                   | /  |
| (3) Ms. Anchalee Suebchantasiri |                   | //          | //                            |                     | /  |
| (4) Mr. Ampol Simarojana        |                   | //          | //                            |                     | /  |
| (5) Ms. Piyathida Sukchan       |                   | //          | //                            |                     | /  |

**Notes :** \* : 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 one 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. 1/2015 held on 25 February 2015, 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 6, 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                             | : | 44 years  |
| % of share holding              | : | None  |
| Family relation with management | : | None  |
| Education                       | : | B.B.A. (Accounting), Ramkhamhaeng University<br>LL.B., Thammasat University<br>MBA., Ramkhamhaeng University<br>Certified Public Accountant   |
| Training Course                 | : | COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission)<br>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<br>Review risk assessment of the internal control system<br>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., 15 years</li> <li>■ Internal auditor, Lam Soon (Thailand) Public Co., Ltd., 10 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 2014 at the rate of 0.20 Baht/share representing 58.8% of net profit, compared with that of 2013 at 0.20 Baht/share representing 42.6% 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)

| Relation           | Transactions                              | Value of Transactions (million Baht) |      | Pricing Policy                     | Necessity  |
|--------------------|---|--------------------------------------|------|------------------------------------|--|
|                    |   | 2014                                 | 2013 |                                    |  |
| Subsidiary company | Purchase of raw materials                 | 755                                  | 949  | 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                | 735                                  | 728  | 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               | 3                                    | 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                           | 125                                  | 113  | At the declared rate               | This is the dividend received from investment in UPOIC.  |
|                    | Rental income                             | 2                                    | 2    | Market price                       | Renting offices to UFC and UPOIC at the same area among the Company group is to save handling expenses and be flexible for daily operation.                                    |
|                    | Selling and administrative service income | 70                                   | 62   | On actual basis                    | This is selling and administrative expenses from being the distributor for UFC.  |

The balances of the accounts as at 31 December 2014 and 2013 between the Company, subsidiaries, and those related companies have been declared in Notes to financial statements item no. 6.

### **Measures or criteria to approve connected transactions**

In 2014, the Company's purchases of CPO, CPKO, PKS and FFB from UPOIC accounted for 17.77% (2013 : 30.82%) 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 2014, 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 2014



## **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 2014, 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 judgement, 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 2014, 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 15 to the financial statements regarding a permit from the Royal Forest Department granted to a subsidiary for the exploitation or inhabitation in the National Reserved Forests which had expired in January 2015. The subsidiary has used the land of 13,030 rai for palm oil plantation. The subsidiary is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under the consideration of such government unit. My opinion is not qualified in respect of this matter.



Kamontip Lertwitworatep

Certified Public Accountant (Thailand) No. 4377

EY Office Limited

Bangkok: 25 February 2015

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

**Statements of financial position**

**As at 31 December 2014**

(Unit: Baht)

|   | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|   |      | As at                             | As at                | As at                         | As at                |
|   |      | 31 December 2014                  | 31 December 2013     | 31 December 2014              | 31 December 2013     |
| <b>Assets</b>   |      |                                   |                      |                               |                      |
| <b>Current assets</b>                                     |      |                                   |                      |                               |                      |
| Cash and cash equivalents                                 | 7    | 229,800,274                       | 233,723,235          | 27,893,106                    | 46,880,426           |
| Trade and other receivables                               | 6, 8 | 902,624,698                       | 1,011,552,983        | 816,939,192                   | 929,688,533          |
| Short-term loans to related parties                       | 6    | -                                 | -                    | -                             | -                    |
| Inventories   | 9    | 1,303,080,947                     | 1,103,370,066        | 629,344,464                   | 548,842,010          |
| Other current assets                                      |      | 38,525,350                        | 47,142,150           | 12,453,224                    | 18,931,219           |
| <b>Total current assets</b>                               |      | <b>2,474,031,269</b>              | <b>2,395,788,434</b> | <b>1,486,629,986</b>          | <b>1,544,342,188</b> |
| <b>Non-current assets</b>                                 |      |                                   |                      |                               |                      |
| Investment in associated company                          | 10   | -                                 | -                    | -                             | -                    |
| Investments in subsidiaries                               | 11   | -                                 | -                    | 1,312,490,844                 | 1,312,490,844        |
| Other long-term investments                               | 12   | 3,939,715                         | 836,479              | 3,939,715                     | 836,479              |
| Investment properties                                     | 13   | 86,530,203                        | 51,735,001           | 8,261,203                     | 9,959,861            |
| Property, plant and equipment                             | 14   | 2,094,930,535                     | 2,181,056,593        | 608,463,720                   | 607,504,980          |
| Cost of forest land rights and<br>cost of palm plantation | 15   | 213,418,251                       | 273,578,527          | 236,294                       | 248,059              |
| Goodwill  |      | 196,376,189                       | 196,376,189          | -                             | -                    |
| Intangible assets   | 16   | 16,547,337                        | 15,968,798           | 5,064,874                     | 5,126,205            |
| Deferred tax assets                                       | 25   | 35,605,028                        | 40,794,409           | 8,181,489                     | 10,670,843           |
| Other non-current assets                                  |      | 7,570,570                         | 6,525,330            | 518,235                       | 468,435              |
| <b>Total non-current assets</b>                           |      | <b>2,654,917,828</b>              | <b>2,766,871,326</b> | <b>1,947,156,374</b>          | <b>1,947,305,706</b> |
| <b>Total assets</b>                                       |      | <b>5,128,949,097</b>              | <b>5,162,659,760</b> | <b>3,433,786,360</b>          | <b>3,491,647,894</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 2014**

(Unit: Baht)

|  | Note  | Consolidated financial statements |                      | Separate financial statements |                    |
|--|-------|-----------------------------------|----------------------|-------------------------------|--------------------|
|  |       | As at                             | As at                | As at                         | As at              |
|  |       | 31 December 2014                  | 31 December 2013     | 31 December 2014              | 31 December 2013   |
| <b>Liabilities and shareholders' equity</b>  |       |                                   |                      |                               |                    |
| <b>Current liabilities</b>                   |       |                                   |                      |                               |                    |
| Short-term loans from financial institutions | 17    | 1,230,000,000                     | 1,240,748,983        | 140,000,000                   | 185,000,000        |
| Trade and other payables                     | 6, 18 | 432,450,867                       | 509,165,504          | 414,467,581                   | 531,110,105        |
| Short-term loan from related party           | 6     | 10,000,000                        | 50,000,000           | -                             | -                  |
| Current portion of long-term loans           | 20    | 100,000,000                       | 117,140,000          | -                             | 15,000,000         |
| Income tax payable                           |       | 41,750,222                        | 33,137,894           | 22,680,531                    | 16,544,213         |
| Other current liabilities                    | 19    | 89,890,389                        | 62,432,114           | 51,386,151                    | 47,168,727         |
| <b>Total current liabilities</b>             |       | <b>1,904,091,478</b>              | <b>2,012,624,495</b> | <b>628,534,263</b>            | <b>794,823,045</b> |
| <b>Non-current liabilities</b>               |       |                                   |                      |                               |                    |
| Long-term loans - net of current portion     | 20    | 75,000,000                        | 200,000,000          | -                             | -                  |
| Provision for land rental charge             | 21    | -                                 | 20,468,000           | -                             | -                  |
| Provision for long-term employee benefits    | 22    | 55,994,816                        | 77,735,920           | 30,453,694                    | 41,842,550         |
| <b>Total non-current liabilities</b>         |       | <b>130,994,816</b>                | <b>298,203,920</b>   | <b>30,453,694</b>             | <b>41,842,550</b>  |
| <b>Total liabilities</b>                     |       | <b>2,035,086,294</b>              | <b>2,310,828,415</b> | <b>658,987,957</b>            | <b>836,665,595</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 2014**

(Unit: Baht)

|   | Consolidated financial statements |                      | Separate financial statements |                      |                      |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|----------------------|
|   | As at                             | As at                | As at                         | As at                |                      |
|   | Note                              | 31 December 2014     | 31 December 2013              | 31 December 2014     | 31 December 2013     |
| <b>Shareholders' equity</b>                       |                                   |                      |                               |                      |                      |
| Share capital                                     |                                   |                      |                               |                      |                      |
| Registered  |                                   |                      |                               |                      |                      |
| 820,000,000 ordinary shares of Baht 1 each        |                                   | <u>820,000,000</u>   | <u>820,000,000</u>            | <u>820,000,000</u>   | <u>820,000,000</u>   |
| Issued and fully paid-up                          |                                   |                      |                               |                      |                      |
| 820,000,000 ordinary shares of Baht 1 each        |                                   | 820,000,000          | 820,000,000                   | 820,000,000          | 820,000,000          |
| Paid-in surplus                                   |                                   |                      |                               |                      |                      |
| Share premium                                     |                                   | 241,970,265          | 241,970,265                   | 241,970,265          | 241,970,265          |
| Premium on treasury stock                         |                                   | 5,269,100            | 5,269,100                     | 5,269,100            | 5,269,100            |
| Retained earnings                                 |                                   |                      |                               |                      |                      |
| Appropriated - statutory reserve                  | 23                                | 103,071,298          | 103,071,298                   | 82,000,000           | 82,000,000           |
| Unappropriated                                    |                                   | 1,582,266,632        | 1,349,237,654                 | 1,625,182,005        | 1,506,288,490        |
| Other components of shareholders' equity          |                                   | <u>1,362,262</u>     | <u>439,673</u>                | <u>377,033</u>       | <u>(545,556)</u>     |
| Equity attributable to owners of the Company      |                                   | 2,753,939,557        | 2,519,987,990                 | 2,774,798,403        | 2,654,982,299        |
| Non-controlling interests of the subsidiaries     |                                   | <u>339,923,246</u>   | <u>331,843,355</u>            | -                    | -                    |
| <b>Total shareholders' equity</b>                 |                                   | <u>3,093,862,803</u> | <u>2,851,831,345</u>          | <u>2,774,798,403</u> | <u>2,654,982,299</u> |
| <b>Total liabilities and shareholders' equity</b> |                                   | <u>5,128,949,097</u> | <u>5,162,659,760</u>          | <u>3,433,786,360</u> | <u>3,491,647,894</u> |

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 2014

(Unit: Baht)

|  |             | <u>Consolidated financial statements</u> |                      | <u>Separate financial statements</u> |                      |
|--|-------------|--|----------------------|--------------------------------------|----------------------|
|  | <u>Note</u> | <u>2014</u>                              | <u>2013</u>          | <u>2014</u>                          | <u>2013</u>          |
| <b>Profit or loss:</b>                         |             |  |                      |                                      |                      |
| <b>Revenues</b>                                |             |  |                      |                                      |                      |
| Sales  |             | 8,451,098,678                            | 7,243,414,725        | 6,931,738,438                        | 5,859,338,205        |
| Dividend income                                | 6, 11       | 95,070                                   | 182,268              | 124,788,381                          | 113,539,823          |
| Other income                                   | 6           | 98,844,157                               | 99,412,141           | 108,987,831                          | 104,309,534          |
| <b>Total revenues</b>                          |             | <b>8,550,037,905</b>                     | <b>7,343,009,134</b> | <b>7,165,514,650</b>                 | <b>6,077,187,562</b> |
| <b>Expenses</b>                                |             |  |                      |                                      |                      |
| Cost of sales                                  | 24          | 7,075,466,489                            | 5,934,374,298        | 6,286,769,265                        | 5,144,256,220        |
| Selling expenses                               |             | 627,475,324                              | 596,935,109          | 422,353,069                          | 361,622,924          |
| Administrative expenses                        |             | 264,188,483                              | 235,060,872          | 125,409,840                          | 122,094,987          |
| Loss on impairment of assets                   | 14          | -  | 105,705,780          | -                                    | -                    |
| <b>Total expenses</b>                          |             | <b>7,967,130,296</b>                     | <b>6,872,076,059</b> | <b>6,834,532,174</b>                 | <b>5,627,974,131</b> |
| <b>Profit before finance cost</b>              |             |  |                      |                                      |                      |
| <b>and income tax expenses</b>                 |             | 582,907,609                              | 470,933,075          | 330,982,476                          | 449,213,431          |
| Finance cost                                   |             | (52,371,940)                             | (52,331,368)         | (13,197,751)                         | (12,412,778)         |
| <b>Profit before income tax expenses</b>       |             | <b>530,535,669</b>                       | <b>418,601,707</b>   | <b>317,784,725</b>                   | <b>436,800,653</b>   |
| Income tax expenses                            | 25          | (91,644,897)                             | (107,092,176)        | (37,289,230)                         | (51,385,038)         |
| <b>Profit for the year</b>                     |             | <b>438,890,772</b>                       | <b>311,509,531</b>   | <b>280,495,495</b>                   | <b>385,415,615</b>   |
| <b>Other comprehensive income:</b>             |             |  |                      |                                      |                      |
| Gain (loss) on changes in value of             |             |  |                      |                                      |                      |
| available-for-sale investments                 |             | 1,153,236                                | (174,368)            | 1,153,236                            | (174,368)            |
| Actuarial gain                                 |             | 24,267,184                               | -                    | 2,983,044                            | -                    |
| Income tax relating to components of           |             |  |                      |                                      |                      |
| other comprehensive income                     | 25          | (4,759,429)                              | 34,874               | (827,256)                            | 34,874               |
| <b>Other comprehensive income for the year</b> |             | <b>20,660,991</b>                        | <b>(139,494)</b>     | <b>3,309,024</b>                     | <b>(139,494)</b>     |
| <b>Total comprehensive income for the year</b> |             | <b>459,551,763</b>                       | <b>311,370,037</b>   | <b>283,804,519</b>                   | <b>385,276,121</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 2014

(Unit: Baht)

|  | Note | Consolidated financial statements |                    | Separate financial statements |                    |
|--|------|-----------------------------------|--------------------|-------------------------------|--------------------|
|  |      | 2014                              | 2013               | 2014                          | 2013               |
| <b>Profit attributable to:</b>                     |      |                                   |                    |                               |                    |
| Equity holders of the Company                      |      | 380,672,695                       | 250,335,482        | <u>280,495,495</u>            | <u>385,415,615</u> |
| Non-controlling interests of the subsidiaries      |      | <u>58,218,077</u>                 | <u>61,174,049</u>  |                               |                    |
|  |      | <u>438,890,772</u>                | <u>311,509,531</u> |                               |                    |
| <b>Total comprehensive income attributable to:</b> |      |                                   |                    |                               |                    |
| Equity holders of the Company                      |      | 397,939,982                       | 250,195,988        | <u>283,804,519</u>            | <u>385,276,121</u> |
| Non-controlling interests of the subsidiaries      |      | <u>61,611,781</u>                 | <u>61,174,049</u>  |                               |                    |
|  |      | <u>459,551,763</u>                | <u>311,370,037</u> |                               |                    |
| <b>Basic earnings per share</b>                    |      |                                   |                    |                               |                    |
|  | 27   |                                   |                    |                               |                    |
| Profit attributable to equity holders              |      |                                   |                    |                               |                    |
| of the Company                                     |      | <u>0.46</u>                       | <u>0.31</u>        | <u>0.34</u>                   | <u>0.47</u>        |

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2014

(Unit: Baht)

| Consolidated financial statements  |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
|--|----------------------------------|--------------------|---------------------------|----------------------------------|----------------------|--|--------------------------------------|--|--|--|----------------------------|
| Equity attributable to the owners of the Company                           |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Other components of equity   |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Other comprehensive income   |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Other changes by the owners  |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Deficit  |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Equity   |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Total equity attributable to shareholders                                  |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Total equity attributable to non-controlling interests of the subsidiaries |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Total shareholders' equity   |                                  |                    |                           |                                  |                      |  |                                      |  |  |  |                            |
| Note   | Issued and paid up share capital | Share premium      | Premium on treasury stock | Retained earnings                |                      | Other comprehensive income                 | Other changes by the owners          | Total other components of shareholders' equity | Total equity attributable to shareholders of the Company | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity |
|  |                                  |                    |                           | Appropriated - statutory reserve | Unappropriated       | in value of available-for-sale investments | change in shareholding in subsidiary |  |  |  |                            |
| <b>Balance as at 1 January 2013</b>  | 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              |
| Profit for the year  | -                                | -                  | -                         | -                                | 250,335,482          | -  | -                                    | -  | 250,335,482  | 61,174,049   | 311,509,531                |
| Other comprehensive income for the year                                    | -                                | -                  | -                         | -                                | -                    | (139,494)                                  | -                                    | (139,494)                                      | (139,494)  | -  | (139,494)                  |
| Total comprehensive income for the year                                    | -                                | -                  | -                         | -                                | 250,335,482          | (139,494)                                  | -                                    | (139,494)                                      | 250,195,988  | 61,174,049   | 311,370,037                |
| Dividend paid  | 30                               | -                  | -                         | -                                | (164,000,000)        | -  | -                                    | -  | (164,000,000)  | -  | (164,000,000)              |
| Reversal of prior year dividend  |                                  | -                  | -                         | -                                | 40,326               | -  | -                                    | -  | 40,326   | -  | 40,326                     |
| Decrease in non-controlling interests from dividend payment in subsidiary  |                                  | -                  | -                         | -                                | -                    | -  | -                                    | -  | -  | (48,662,421)   | (48,662,421)               |
| <b>Balance as at 31 December 2013</b>                                      | <b>820,000,000</b>               | <b>241,970,265</b> | <b>5,269,100</b>          | <b>103,071,298</b>               | <b>1,349,237,654</b> | <b>(545,556)</b>                           | <b>985,229</b>                       | <b>439,673</b>                                 | <b>2,519,987,990</b>                                     | <b>331,843,355</b>   | <b>2,851,831,345</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 2014

(Unit: Baht)

| Consolidated financial statements   |      |                                  |                    |                           |                                  |                      |                            |                             |   |  |  |                            |
|---|------|----------------------------------|--------------------|---------------------------|----------------------------------|----------------------|----------------------------|-----------------------------|---|--|--|----------------------------|
| Equity attributable to the owners of the Company                          |      |                                  |                    |                           |                                  |                      |                            |                             |   |  |  |                            |
|   | Note | Retained earnings                |                    |                           |                                  |                      | Other components of equity |                             |   | Total equity attributable to shareholders of the Company | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity |
|   |      | Issued and paid up share capital | Share premium      | Premium on treasury stock | Appropriated - statutory reserve | Unappropriated       | Other comprehensive income | Other changes by the owners | Surplus (deficit) on changes in value of available-for-sale investments |  |  |                            |
| <b>Balance as at 1 January 2014</b>                                       |      | 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              |
| Profit for the year   |      | -                                | -                  | -                         | -                                | 380,672,695          | -                          | -                           | -   | 380,672,695  | 58,218,077   | 438,890,772                |
| Other comprehensive income for the year                                   |      | -                                | -                  | -                         | -                                | 16,344,698           | 922,589                    | -                           | 922,589   | 17,267,287   | 3,393,704  | 20,660,991                 |
| Total comprehensive income for the year                                   |      | -                                | -                  | -                         | -                                | 397,017,393          | 922,589                    | -                           | 922,589   | 397,939,982  | 61,611,781   | 459,551,763                |
| Dividend paid   | 30   | -                                | -                  | -                         | -                                | (164,000,000)        | -                          | -                           | -   | (164,000,000)  | -  | (164,000,000)              |
| Reversal of prior year dividend   |      | -                                | -                  | -                         | -                                | 11,585               | -                          | -                           | -   | 11,585   | -  | 11,585                     |
| Decrease in non-controlling interests from dividend payment in subsidiary |      | -                                | -                  | -                         | -                                | -                    | -                          | -                           | -   | -  | (53,531,890)   | (53,531,890)               |
| <b>Balance as at 31 December 2014</b>                                     |      | <b>820,000,000</b>               | <b>241,970,265</b> | <b>5,269,100</b>          | <b>103,071,298</b>               | <b>1,582,266,632</b> | <b>377,033</b>             | <b>985,229</b>              | <b>1,362,262</b>  | <b>2,753,939,557</b>                                     | <b>339,923,246</b>   | <b>3,093,862,803</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 2014

(Unit: Baht)

Separate financial statements

|   | Note | Issued and<br>paid up<br>share capital | Share premium      | Premium on<br>treasury stock | Retained earnings                   |                      | Other components of equity       |   | Total<br>shareholders'<br>equity |
|---|------|--|--------------------|------------------------------|-------------------------------------|----------------------|----------------------------------|---|----------------------------------|
|   |      |  |                    |                              | Appropriated -<br>statutory reserve | Unappropriated       | Other<br>comprehensive<br>income | Deficit<br>on changes<br>in value of<br>available-for-sale<br>investments |                                  |
| <b>Balance as at 1 January 2013</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                    |
| Profit for the year                     |      | -                                      | -                  | -                            | -                                   | 385,415,615          | -                                | -   | 385,415,615                      |
| Other comprehensive income for the year |      | -                                      | -                  | -                            | -                                   | -                    | (139,494)                        | (139,494)   | (139,494)                        |
| Total comprehensive income for the year |      | -                                      | -                  | -                            | -                                   | 385,415,615          | (139,494)                        | (139,494)   | 385,276,121                      |
| Dividend paid                           | 30   | -                                      | -                  | -                            | -                                   | (164,000,000)        | -                                | -   | (164,000,000)                    |
| Reversal of prior year dividend         |      | -                                      | -                  | -                            | -                                   | 40,326               | -                                | -   | 40,326                           |
| <b>Balance as at 31 December 2013</b>   |      | <u>820,000,000</u>                     | <u>241,970,265</u> | <u>5,269,100</u>             | <u>82,000,000</u>                   | <u>1,506,288,490</u> | <u>(545,556)</u>                 | <u>(545,556)</u>  | <u>2,654,982,299</u>             |

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



Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2014

(Unit: Baht)

Separate financial statements

|   | Note | Issued and<br>paid up<br>share capital | Share premium      | Premium on<br>treasury stock | Retained earnings                   |                      | Other components of equity       |   | Total<br>shareholders'<br>equity |
|---|------|--|--------------------|------------------------------|-------------------------------------|----------------------|----------------------------------|---|----------------------------------|
|   |      |  |                    |                              | Appropriated -<br>statutory reserve | Unappropriated       | Other<br>comprehensive<br>income | Surplus (deficit)<br>on changes<br>in value of<br>available-for-sale<br>investments |                                  |
| <b>Balance as at 1 January 2014</b>     |      | 820,000,000                            | 241,970,265        | 5,269,100                    | 82,000,000                          | 1,506,288,490        | (545,556)                        | (545,556)   | 2,654,982,299                    |
| Profit for the year                     |      | -                                      | -                  | -                            | -                                   | 280,495,495          | -                                | -   | 280,495,495                      |
| Other comprehensive income for the year |      | -                                      | -                  | -                            | -                                   | 2,386,435            | 922,589                          | 922,589   | 3,309,024                        |
| Total comprehensive income for the year |      | -                                      | -                  | -                            | -                                   | 282,881,930          | 922,589                          | 922,589   | 283,804,519                      |
| Dividend paid                           | 30   | -                                      | -                  | -                            | -                                   | (164,000,000)        | -                                | -   | (164,000,000)                    |
| Reversal of prior year dividend         |      | -                                      | -                  | -                            | -                                   | 11,585               | -                                | -   | 11,585                           |
| <b>Balance as at 31 December 2014</b>   |      | <u>820,000,000</u>                     | <u>241,970,265</u> | <u>5,269,100</u>             | <u>82,000,000</u>                   | <u>1,625,182,005</u> | <u>377,033</u>                   | <u>377,033</u>  | <u>2,774,798,403</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 2014**

(Unit: Baht)

|  | <u>Consolidated financial statements</u> |                      | <u>Separate financial statements</u> |                    |
|--|--|----------------------|--------------------------------------|--------------------|
|  | <u>2014</u>                              | <u>2013</u>          | <u>2014</u>                          | <u>2013</u>        |
| <b>Cash flows from operating activities</b>  |  |                      |                                      |                    |
| Profit before tax  | 530,535,669                              | 418,601,707          | 317,784,725                          | 436,800,653        |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: |  |                      |                                      |                    |
| Depreciation and amortisation  | 267,124,379                              | 256,201,575          | 83,621,411                           | 84,533,009         |
| Increase (decrease) in allowance for doubtful accounts   | 5,899,722                                | 4,233,530            | (11,195)                             | -                  |
| Increase (decrease) in allowance for diminution in inventory value                                   | (26,117,608)                             | 39,383,434           | 106,519                              | (117,790)          |
| Increase (decrease) in allowance for impairment loss of assets                                       | (2,336,416)                              | 105,705,780          | -                                    | -                  |
| Reversal of provision for land rental charge   | (20,468,000)                             | -                    | -                                    | -                  |
| Loss on write-off of property, plant and equipment   | 4,010,256                                | 219,528              | 10                                   | 7                  |
| Gain on disposals of property, plant and equipment   | (5,034,446)                              | (9,257,473)          | (951,487)                            | (3,017,857)        |
| Gain on disposals of intangible assets   | (361)                                    | -                    | (361)                                | -                  |
| Loss on write-off of cost of palm plantation   | 37,857,245                               | 2,480,644            | -                                    | -                  |
| Unrealised loss (gain) on exchange   | 293,196                                  | (318,553)            | (39,313)                             | (112,747)          |
| Provision for long-term employee benefits  | 30,740,853                               | 40,018,334           | 15,913,284                           | 23,895,256         |
| Dividend income from subsidiary  | -  | -                    | (124,693,311)                        | (113,357,555)      |
| Dividend income from other companies   | (95,070)                                 | (182,268)            | (95,070)                             | (182,268)          |
| Interest expenses  | 49,354,799                               | 49,932,021           | 11,249,612                           | 10,775,380         |
| Profit from operating activities before changes in operating assets and liabilities                  | 871,764,218                              | 907,018,259          | 302,884,824                          | 439,216,088        |
| Decrease (increase) in operating assets  |  |                      |                                      |                    |
| Trade and other receivables  | 103,136,387                              | (111,646,339)        | 112,763,645                          | (107,515,206)      |
| Inventories  | (156,266,429)                            | 432,015,620          | (80,608,973)                         | 226,987,287        |
| Other current assets   | 12,929,276                               | 9,469,386            | 6,477,995                            | (882,804)          |
| Other non-current assets   | (1,191,483)                              | (4,497,187)          | (49,800)                             | 48,303             |
| Increase (decrease) in operating liabilities   |  |                      |                                      |                    |
| Trade and other payables   | (79,046,800)                             | 81,148,083           | (119,241,507)                        | 74,437,775         |
| Other current liabilities  | 27,140,386                               | (7,052,857)          | 4,234,277                            | (3,281,413)        |
| Provision for long-term employee benefits  | (28,214,774)                             | (34,070,155)         | (24,319,096)                         | (25,939,283)       |
| Cash from operating activities   | 750,250,781                              | 1,272,384,810        | 202,141,365                          | 603,070,747        |
| Cash paid for interest expenses  | (49,633,022)                             | (49,109,961)         | (11,404,081)                         | (11,227,245)       |
| Cash paid for corporate income tax   | (86,997,589)                             | (126,526,683)        | (29,496,082)                         | (44,936,359)       |
| <b>Net cash from operating activities</b>  | <b>613,620,170</b>                       | <b>1,096,748,166</b> | <b>161,241,202</b>                   | <b>546,907,143</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 2014**

(Unit: Baht)

|   | Consolidated financial statements |                      | Separate financial statements |                      |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
|   | 2014                              | 2013                 | 2014                          | 2013                 |
| <b>Cash flows from investing activities</b>               |                                   |                      |                               |                      |
| Dividend received from subsidiary                         | -                                 | -                    | 124,693,311                   | 113,357,555          |
| Dividend received from other companies                    | 95,070                            | 182,268              | 95,070                        | 182,268              |
| Increase in other long term investment                    | (1,950,000)                       | -                    | (1,950,000)                   | -                    |
| Acquisitions of property, plant and equipment             | (180,159,113)                     | (651,034,385)        | (79,463,419)                  | (50,753,493)         |
| Proceeds from disposals of property, plant and equipment  | 9,667,614                         | 11,888,602           | 988,736                       | 3,720,226            |
| Proceeds from disposals of intangible assets              | 380                               | -                    | 380                           | -                    |
| Increase in cost of palm plantation                       | (32,071,547)                      | (49,970,168)         | -                             | -                    |
| Increase in intangible assets                             | (2,704,662)                       | (3,629,887)          | (592,600)                     | (2,395,000)          |
| <b>Net cash from (used in) investing activities</b>       | <b>(207,122,258)</b>              | <b>(692,563,570)</b> | <b>43,771,478</b>             | <b>64,111,556</b>    |
| <b>Cash flows from financing activities</b>               |                                   |                      |                               |                      |
| Decreases in short-term loans from financial institutions | (10,748,983)                      | (449,000,611)        | (45,000,000)                  | (415,000,000)        |
| Decrease in short-term loan from related party            | (40,000,000)                      | -                    | -                             | -                    |
| Repayment of liabilities under finance lease agreement    | -                                 | (135,105)            | -                             | -                    |
| Cash received from long-term loans                        | -                                 | 300,000,000          | -                             | -                    |
| Repayment of long-term loans                              | (142,140,000)                     | (67,880,000)         | (15,000,000)                  | (40,000,000)         |
| Dividend paid   | (217,531,890)                     | (212,711,677)        | (164,000,000)                 | (164,000,000)        |
| <b>Net cash used in financing activities</b>              | <b>(410,420,873)</b>              | <b>(429,727,393)</b> | <b>(224,000,000)</b>          | <b>(619,000,000)</b> |
| <b>Net decrease in cash and cash equivalents</b>          | <b>(3,922,961)</b>                | <b>(25,542,797)</b>  | <b>(18,987,320)</b>           | <b>(7,981,301)</b>   |
| Cash and cash equivalents at beginning of the year        | 233,723,235                       | 259,266,032          | 46,880,426                    | 54,861,727           |
| <b>Cash and cash equivalents at end of the year</b>       |                                   |                      |                               |                      |
| <b>(Note 7)</b>   | <b>229,800,274</b>                | <b>233,723,235</b>   | <b>27,893,106</b>             | <b>46,880,426</b>    |

**Supplementary disclosures of cash flows information**

Non-cash transactions

Acquisitions of plant and equipment

|   |            |           |           |           |
|---|------------|-----------|-----------|-----------|
| that have not been paid   | 9,922,872  | 7,301,535 | 5,587,923 | 2,798,267 |
| Transferred palm nursery to inventory account                   | 17,326,844 | 8,211,378 | -         | -         |
| Transferred property, plant and equipment to intangible assets  | -          | 700,000   | -         | 700,000   |
| Transcended property, plant and equipment investment properties | 33,210,524 | -         | -         | -         |

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 2014**

**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>2014</u><br>Percent     | <u>2013</u><br>Percent |
| <b><u>Subsidiaries directly held by the Company</u></b>                          |  |                          |                            |                        |
| United Palm Oil Industry Public Company Limited                                  | Palm oil plantation, crude palm oil and kernel palm oil processing                       | Thailand                 | 69.96                      | 69.96                  |
| Universal Food Public Company Limited  | Manufacture and distribution of processed fruits and vegetables, canned juice and drinks | Thailand                 | 98.76                      | 98.76                  |
| <b><u>Subsidiary held by United Palm Oil Industry Public Company Limited</u></b> |  |                          |                            |                        |
| Phansrivivat Company Limited   | Owner of palm oil plantation   | Thailand                 | 100                        | 100                    |

| Company's name  | Nature of business                               | Country of incorporation | Percentage of shareholding |                        |
|---|--|--------------------------|----------------------------|------------------------|
|   |  |                          | <u>2014</u><br>Percent     | <u>2013</u><br>Percent |
| <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, the management of the subsidiary had a plan to discontinue these operations and to 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 subsidiaries 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 financial reporting standards

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

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

|                       |  |
|-----------------------|--|
| TAS 1 (revised 2012)  | Presentation of Financial Statements             |
| TAS 7 (revised 2012)  | Statement of Cash Flows                          |
| TAS 12 (revised 2012) | Income Taxes                                     |
| TAS 17 (revised 2012) | Leases   |
| TAS 18 (revised 2012) | Revenue  |
| TAS 19 (revised 2012) | Employee Benefits                                |
| TAS 21 (revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2012) | Related Party Disclosures                        |
| TAS 28 (revised 2012) | Investments in Associates                        |
| TAS 31 (revised 2012) | Interests in Joint Ventures                      |
| TAS 34 (revised 2012) | Interim Financial Reporting                      |
| TAS 36 (revised 2012) | Impairment of Assets                             |
| TAS 38 (revised 2012) | Intangible Assets                                |

Financial Reporting Standards:

|                       |   |
|-----------------------|---|
| TFRS 2 (revised 2012) | Share-based Payment   |
| TFRS 3 (revised 2012) | Business Combinations   |
| TFRS 5 (revised 2012) | Non-current Assets Held for Sale and Discontinued<br>Operations |
| TFRS 8 (revised 2012) | Operating Segments  |

Accounting Standard Interpretations:

|         |   |
|---------|---|
| TSIC 15 | Operating Leases – Incentives   |
| TSIC 27 | Evaluating the Substance of Transactions Involving the<br>Legal Form of a Lease |
| TSIC 29 | Service Concession Arrangements: Disclosures                                    |
| TSIC 32 | Intangible Assets – Web Site Costs  |

Financial Reporting Standard Interpretations:

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

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

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

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below.

### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognises actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

### **TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 Interests in Joint Ventures. This standard requires an entity to account for an investment in a jointly controlled entity using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Company and its subsidiaries believes that this standard will not have any impact on the Company and its subsidiaries' financial statements as the Company and its subsidiaries have already applied the equity method to an investment in a jointly controlled entity.

## **IFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

## **IFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

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

#### *Interest income*

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

#### *Dividends*

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

### **4.2 Cash and cash equivalents**

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

### **4.3 Trade accounts receivable**

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

#### **4.4 Inventories**

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

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

#### **4.5 Investments**

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

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

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

#### **4.6 Investment properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

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

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

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

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

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

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

Depreciation is included in determining income.

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

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

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

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

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

Amortisation is included in determining income.

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

Costs of supplying palm vacancies and infilling mature areas are included in determining income.



#### **4.9 Borrowing costs**

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

#### **4.10 Intangible assets 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 (if any).

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

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

|                   | <u>Useful lives</u>   |
|-------------------|---|
| Licenses          | - The remaining period of the license agreements as at the date of obtaining the right (approximately 29 years) |
| Computer software | - 5 years   |

#### **4.11 Government grants**

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

#### **4.12 Goodwill**

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

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

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

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

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

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

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

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

#### **4.15 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

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

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment 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.

#### **4.17 Treasury stock**

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

## 4.18 Employee benefits

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

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

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

#### *Defined contribution plans*

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

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

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

The obligation under the defined benefit plan and other long-term employee benefit 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 are recognised immediately in other comprehensive income.

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

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

#### **4.19 Provisions**

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

#### **4.20 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

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

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

## 4.21 Derivatives

### *Forward exchange contracts*

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

### *Interest rate swap contracts*

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

## 5. Significant accounting judgements and estimates

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

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement 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 judgement 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 judgement 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 judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

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

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

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

### **Goodwill**

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

### **Deferred tax assets**

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

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

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### **Contingent liabilities**

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

## 6. Related party transactions

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

(Unit: Million Baht)

|   | Consolidated<br>financial<br>statements |             | Separate<br>financial<br>statements |             | Transfer Pricing Policy                  |
|---|---|-------------|-------------------------------------|-------------|--|
|   | <u>2014</u>                             | <u>2013</u> | <u>2014</u>                         | <u>2013</u> |  |
| <b><u>Transactions with subsidiaries</u></b>                            |   |             |                                     |             |  |
| (eliminated from the consolidated financial statements)                 |   |             |                                     |             |  |
| Purchases of raw materials  | -                                       | -           | 755                                 | 949         | Market prices on the contract date       |
| Purchases of goods and services   | -                                       | -           | 735                                 | 728         | Market prices less fixed margin          |
| Sales of goods and services   | -                                       | -           | 3                                   | 2           | Market price                             |
| Dividend income   | -                                       | -           | 125                                 | 113         | At the declared rate                     |
| Rental income   | -                                       | -           | 2                                   | 2           | Market price                             |
| Selling and administrative service income                               | -                                       | -           | 70                                  | 62          | Actual charge                            |
| <b><u>Transactions with related companies</u></b>                       |   |             |                                     |             |  |
| Sales of goods  | 29                                      | 25          | -                                   | -           | Price approximates market price          |
| Purchases of goods  | 2                                       | 5           | -                                   | -           | Price less marketing expenses and margin |
| Interest expenses   | 1                                       | 2           | -                                   | -           | THBFIX + 0.50% per annum                 |
| <b><u>Transactions with jointly controlled entity of subsidiary</u></b> |   |             |                                     |             |  |
| Purchases of oil palm seeds and fresh fruit bunch                       | 6                                       | 3           | -                                   | -           | Market price                             |
| Land rental income  | 1                                       | 1           | -                                   | -           | Agreed between the parties               |

As at 31 December 2014 and 2013, the balances of accounts between the Company and those related parties are detailed as follows:

|  | Consolidated         |                   | Separate             |                    |
|--|----------------------|-------------------|----------------------|--------------------|
|  | financial statements |                   | financial statements |                    |
|  | <u>2014</u>          | <u>2013</u>       | <u>2014</u>          | <u>2013</u>        |
| (Unit: Baht)   |                      |                   |                      |                    |
| <b><u>Trade and other receivables - related parties</u></b> (Note 8) |                      |                   |                      |                    |
| Subsidiaries   | -                    | -                 | 14,161,878           | 16,095,029         |
| Associated company   | 452,280              | 452,280           | -                    | -                  |
| Related companies (related by common shareholders)                   | 26,149,606           | 24,938,203        | 5,250                | 38,544             |
| <b>Total trade and other receivables - related parties</b>           | <b>26,601,886</b>    | <b>25,390,483</b> | <b>14,167,128</b>    | <b>16,133,573</b>  |
| Less: Allowance for doubtful accounts                                | (20,780,523)         | (20,780,523)      | -                    | -                  |
| <b>Total trade and other receivables - related parties, net</b>      | <b>5,821,363</b>     | <b>4,609,960</b>  | <b>14,167,128</b>    | <b>16,133,573</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 - net</b>               | <b>-</b>             | <b>-</b>          | <b>-</b>             | <b>-</b>           |
| <b><u>Trade and other payables - related parties</u></b> (Note 18)   |                      |                   |                      |                    |
| Subsidiaries   | -                    | -                 | 140,208,273          | 168,597,572        |
| Related companies (related by common shareholders)                   | 582,367              | 948,157           | -                    | -                  |
| <b>Total trade and other payables - related parties</b>              | <b>582,367</b>       | <b>948,157</b>    | <b>140,208,273</b>   | <b>168,597,572</b> |
| <b><u>Short-term loan from related party</u></b>                     |                      |                   |                      |                    |
| Related company (related by major shareholder)                       | 10,000,000           | 50,000,000        | -                    | -                  |
| <b>Total short-term loan from related party</b>                      | <b>10,000,000</b>    | <b>50,000,000</b> | <b>-</b>             | <b>-</b>           |

As at 31 December 2014 and 2013, the balance of short-term loan between the Company and the related party and the movements are as follows:

(Unit: Baht)

| Company's name                | Related by        | Consolidated financial statements    |              |                                      |
|-------------------------------|-------------------|--------------------------------------|--------------|--------------------------------------|
|                               |                   | Balance as at<br>31 December<br>2013 | Repayment    | Balance as at<br>31 December<br>2014 |
| Lam Soon Holding Co.,<br>Ltd. | Major shareholder | 50,000,000                           | (40,000,000) | 10,000,000                           |
| Total                         |                   | 50,000,000                           | (40,000,000) | 10,000,000                           |

### **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 been ceased from the date that the Central Bankruptcy Court accepted the bankruptcy suits which the subsidiary brought against the associated and related companies. Currently, this case is in the state of the Legal Execution Department.

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

Short-term loan from related company of subsidiary carries interest at a rate of THBFIX + 0.50% 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 2014, the Company had selling and administrative service income from such subsidiary totaling Baht 70 million (2013: Baht 62 million).

## Directors and management's remuneration

During the years ended 31 December 2014 and 2013, 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 150 million and Baht 140 million, respectively (the Company only: Baht 89 million and Baht 81 million, respectively).

## 7. Cash and cash equivalents

(Unit: Baht)

|                                     | Consolidated         |                      | Separate             |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | financial statements | financial statements | financial statements | financial statements |
|                                     | <u>2014</u>          | <u>2013</u>          | <u>2014</u>          | <u>2013</u>          |
| Cash                                | 3,884,364            | 3,167,463            | 1,017,524            | 1,113,200            |
| Bank deposits                       | 225,915,910          | 180,511,252          | 26,875,582           | 45,767,226           |
| Investment in Bank of Thailand Bond | -                    | 50,044,520           | -                    | -                    |
| Total                               | <u>229,800,274</u>   | <u>233,723,235</u>   | <u>27,893,106</u>    | <u>46,880,426</u>    |

As at 31 December 2014, bank deposits in saving accounts, fixed deposits and investment in Bank of Thailand Bond carried interests between 0.10 and 1.25 percent per annum (2013: between 0.10 and 2.50 percent per annum).

## 8. Trade and other receivables

(Unit: Baht)

|  | Consolidated         |                      | Separate             |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | financial statements | financial statements | financial statements | financial statements |
|  | <u>2014</u>          | <u>2013</u>          | <u>2014</u>          | <u>2013</u>          |
| <u>Trade receivables - related parties</u>     |                      |                      |                      |                      |
| Aged on the basis of due dates                 |                      |                      |                      |                      |
| Not yet due                                    | 1,545,294            | 3,633,989            | 16,752               | 15,034               |
| Past due                                       |                      |                      |                      |                      |
| Up to 3 months                                 | 4,260,164            | 943,425              | -                    | -                    |
| 6 - 12 months                                  | -                    | 13,274               | -                    | -                    |
| Over 12 months                                 | 452,280              | 452,280              | -                    | -                    |
| Total  | <u>6,257,738</u>     | <u>5,042,968</u>     | <u>16,752</u>        | <u>15,034</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>5,805,458</u>     | <u>4,590,688</u>     | <u>16,752</u>        | <u>15,034</u>        |

(Unit: Baht)

|  | Consolidated         |                      | Separate             |                    |
|--|----------------------|----------------------|----------------------|--------------------|
|  | financial statements |                      | financial statements |                    |
|  | <u>2014</u>          | <u>2013</u>          | <u>2014</u>          | <u>2013</u>        |
| <u>Trade receivables - unrelated parties</u>     |                      |                      |                      |                    |
| Aged on the basis of due dates                   |                      |                      |                      |                    |
| Post dated cheques receivable                    | 43,908,600           | 50,096,595           | 43,908,600           | 50,096,595         |
| Cheque returned                                  | 13,791,546           | 13,671,166           | 8,828,233            | 8,707,851          |
| Not yet due                                      | 715,650,026          | 766,118,643          | 664,764,157          | 712,697,495        |
| Past due   |                      |                      |                      |                    |
| Up to 3 months                                   | 124,651,464          | 182,039,065          | 89,940,357           | 148,303,834        |
| 3 - 6 months                                     | 2,646,768            | 2,423,264            | 624,614              | 1,727,440          |
| 6 - 12 months                                    | 5,067,408            | 3,679,349            | 179,058              | -                  |
| Over 12 months                                   | 28,714,032           | 25,252,573           | 2,845,803            | 2,850,712          |
| Total  | 934,429,844          | 1,043,280,655        | 811,090,822          | 924,383,927        |
| Less: Allowance for doubtful accounts            | (43,227,149)         | (37,394,110)         | (10,817,772)         | (10,828,967)       |
| Total trade receivables - unrelated parties, net | 891,202,695          | 1,005,886,545        | 800,273,050          | 913,554,960        |
| Total trade receivables - net                    | 897,008,153          | 1,010,477,233        | 800,289,802          | 913,569,994        |
| <u>Other receivables</u>                         |                      |                      |                      |                    |
| Other receivables - related parties              | 15,905               | 19,272               | 5,483,396            | 4,427,706          |
| Other receivables - unrelated parties            | 4,195,462            | 99,198               | 2,499,014            | -                  |
| Accrued income - related parties                 | -                    | -                    | 8,666,980            | 11,690,833         |
| Accrued income - unrelated parties               | 926,988              | 564,602              | -                    | -                  |
| Advances - related parties                       | 20,328,243           | 20,328,243           | -                    | -                  |
| Advances - unrelated parties                     | 478,190              | 392,678              | -                    | -                  |
| Total  | 25,944,788           | 21,403,993           | 16,649,390           | 16,118,539         |
| Less: Allowance for doubtful accounts            | (20,328,243)         | (20,328,243)         | -                    | -                  |
| Total other receivables - net                    | 5,616,545            | 1,075,750            | 16,649,390           | 16,118,539         |
| <b>Total trade and other receivables - net</b>   | <b>902,624,698</b>   | <b>1,011,552,983</b> | <b>816,939,192</b>   | <b>929,688,533</b> |

## 9. Inventories

(Unit: Baht)

| Consolidated financial statements |                      |                      |  |                     |                      |                      |
|-----------------------------------|----------------------|----------------------|--|---------------------|----------------------|----------------------|
|                                   | Cost                 |                      | Reduce cost to<br>net realisable value |                     | Inventories - net    |                      |
|                                   | 2014                 | 2013                 | 2014                                   | 2013                | 2014                 | 2013                 |
|                                   | Finished goods       | 657,303,835          | 565,474,714                            | (11,452,425)        | (41,103,556)         | 645,851,410          |
| Work in process                   | 461,436,851          | 393,427,625          | -                                      | -                   | 461,436,851          | 393,427,625          |
| Raw materials                     | 88,884,326           | 95,469,467           | (11,948,879)                           | (9,270,423)         | 76,935,447           | 86,199,044           |
| Inventories in transit            | 18,988,210           | 593,767              | -                                      | -                   | 18,988,210           | 593,767              |
| Supplies and spare parts          | 102,185,144          | 100,239,520          | (2,316,115)                            | (1,461,048)         | 99,869,029           | 98,778,472           |
| <b>Total</b>                      | <b>1,328,798,366</b> | <b>1,155,205,093</b> | <b>(25,717,419)</b>                    | <b>(51,835,027)</b> | <b>1,303,080,947</b> | <b>1,103,370,066</b> |

(Unit: Baht)

| Separate financial statements |                    |                    |  |              |                    |                    |
|-------------------------------|--------------------|--------------------|--|--------------|--------------------|--------------------|
|                               | Cost               |                    | Reduce cost to<br>net realisable value |              | Inventories - net  |                    |
|                               | 2014               | 2013               | 2014                                   | 2013         | 2014               | 2013               |
|                               | Finished goods     | 70,626,491         | 73,984,603                             | -            | -                  | 70,626,491         |
| Work in process               | 459,306,076        | 393,814,990        | -                                      | -            | 459,306,076        | 393,814,990        |
| Raw materials                 | 55,820,808         | 53,929,408         | -                                      | -            | 55,820,808         | 53,929,408         |
| Inventories in transit        | 18,988,210         | 593,767            | -                                      | -            | 18,988,210         | 593,767            |
| Supplies and spare parts      | 24,710,144         | 26,519,988         | (107,265)                              | (746)        | 24,602,879         | 26,519,242         |
| <b>Total</b>                  | <b>629,451,729</b> | <b>548,842,756</b> | <b>(107,265)</b>                       | <b>(746)</b> | <b>629,344,464</b> | <b>548,842,010</b> |

During the current year, the Company reduced cost of inventories by Baht 0.1 million (2013: reversed the write-down of cost of inventories by Baht 0.1 million). In addition, the subsidiaries reversed the write-down of cost of inventories by Baht 26.2 million (2013: reduced cost of inventories by Baht 39.5 million). This was included in cost of sales.



## 10. Investment in associated company

| Company's name        | Nature of business | Country of incorporation | Consolidated financial statements |              |                         |         |
|-----------------------|--------------------|--------------------------|-----------------------------------|--------------|-------------------------|---------|
|                       |                    |                          | Paid-up capital                   |              | Shareholding percentage |         |
|                       |                    |                          | 2014                              | 2013         | 2014                    | 2013    |
|                       |                    |                          | Million Baht                      | Million Baht | Percent                 | Percent |
| Union Fresh Co., Ltd. | Dormant            | Thailand                 | 30                                | 30           | 40                      | 40      |

(Unit: Baht)

| Company's name        | Consolidated financial statements |            |   |              |                            |      |                        |      |
|-----------------------|-----------------------------------|------------|---|--------------|----------------------------|------|------------------------|------|
|                       | Cost                              |            |   |              | Carrying amounts           |      |                        |      |
|                       | Cost                              |            | Allowance for impairment loss of investment |              | based on cost method - net |      | based on equity method |      |
|                       | 2014                              | 2013       | 2014  | 2013         | 2014                       | 2013 | 2014                   | 2013 |
| Union Fresh Co., Ltd. | 12,000,000                        | 12,000,000 | (12,000,000)                                | (12,000,000) | -                          | -    | -                      | -    |

## 11. Investments in subsidiaries

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

| Company's name                                     | (Unit: Baht)    |             |                         |         |               |               |                                   |             |
|--|-----------------|-------------|-------------------------|---------|---------------|---------------|-----------------------------------|-------------|
|  | Paid-up capital |             | Shareholding percentage |         | Cost          |               | Dividend received during the year |             |
|  | 2014            | 2013        | 2014                    | 2013    | 2014          | 2013          | 2014                              | 2013        |
|  |                 |             | 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   | 124,693,311                       | 113,357,555 |
| Universal Food Public Company Limited              | 525,000,000     | 525,000,000 | 98.76                   | 98.76   | 585,242,875   | 585,242,875   | -                                 | -           |
| <b>Total</b>                                       |                 |             |                         |         | 1,333,586,724 | 1,333,586,724 | 124,693,311                       | 113,357,555 |
| Less: Allowance for impairment loss of investments |                 |             |                         |         | (21,095,880)  | (21,095,880)  |                                   |             |
| <b>Total investments in subsidiaries - net</b>     |                 |             |                         |         | 1,312,490,844 | 1,312,490,844 |                                   |             |

As at 31 December 2014, 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 (2013: Baht 2,256 million).

## 12. Other long-term investments

(Unit: Baht)

|   | Consolidated         |                | Separate             |                |
|---|----------------------|----------------|----------------------|----------------|
|   | financial statements |                | financial statements |                |
|   | <u>2014</u>          | <u>2013</u>    | <u>2014</u>          | <u>2013</u>    |
| <b><u>Equity securities</u></b>                                   |                      |                |                      |                |
| Ichitan Group Plc.  | 1,950,000            | -              | 1,950,000            | -              |
| 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   | 3,468,425            | 1,518,425      | 3,468,425            | 1,518,425      |
| Add: Unrealised gain (loss) on changes in value<br>of investments | 471,290              | (681,946)      | 471,290              | (681,946)      |
| <b>Other long-term investments - net</b>                          | <b>3,939,715</b>     | <b>836,479</b> | <b>3,939,715</b>     | <b>836,479</b> |

## 13. Investment properties

The net book value of investment properties as at 31 December 2014 and 2013 is presented below.

(Unit: Baht)

|                                   | As at 31 December 2014            |                    |                   |                               |                    |                  |
|-----------------------------------|-----------------------------------|--------------------|-------------------|-------------------------------|--------------------|------------------|
|                                   | Consolidated financial statements |                    |                   | Separate financial statements |                    |                  |
|                                   | Land                              | Office<br>building | Total             | Land                          | Office<br>building | Total            |
| Cost                              | 63,795,063                        | 142,220,823        | 206,015,886       | 5,614,750                     | 33,973,158         | 39,587,908       |
| Less: Accumulated<br>depreciation | -                                 | (72,969,437)       | (72,969,437)      | -                             | (31,326,705)       | (31,326,705)     |
| Allowance for<br>impairment       | (4,837,600)                       | (41,678,646)       | (46,516,246)      | -                             | -                  | -                |
| Net book value                    | <u>58,957,463</u>                 | <u>27,572,740</u>  | <u>86,530,203</u> | <u>5,614,750</u>              | <u>2,646,453</u>   | <u>8,261,203</u> |

(Unit: Baht)

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

A reconciliation of the net book value of investment properties for the years 2014 and 2013 is presented below.

|                                      | (Unit: Baht)         |                   |                      |                  |
|--------------------------------------|----------------------|-------------------|----------------------|------------------|
|                                      | Consolidated         |                   | Separate             |                  |
|                                      | financial statements |                   | financial statements |                  |
|                                      | 2014                 | 2013              | 2014                 | 2013             |
| Net book value at beginning of year  | 51,735,001           | 52,486,739        | 9,959,861            | 11,658,519       |
| Transfers                            | 33,210,524           | -                 | -                    | -                |
| Reversal of allowance for impairment | 2,336,416            | -                 | -                    | -                |
| Depreciation for the year            | (751,738)            | (751,738)         | (1,698,658)          | (1,698,658)      |
| Net book value at end of year        | <u>86,530,203</u>    | <u>51,735,001</u> | <u>8,261,203</u>     | <u>9,959,861</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 2014 amounted to Baht 48 million and Baht 5 million, respectively (2013: 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 as at 31 December 2014 was determined at approximately Baht 26 million (2013: Baht 26 million) using the income approach. The assumption used in the valuation was based on the Company's data.

## 14. Property, plant and equipment

(Unit: Baht)

|                                   | Consolidated financial statements |                           |                          |  |  |                |  | Total         |
|-----------------------------------|-----------------------------------|---------------------------|--------------------------|--|--|----------------|--|---------------|
|                                   | Land and land improvement         | Land awaiting development | Building and improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation |               |
| <b>Cost</b>                       |                                   |                           |                          |  |  |                |  |               |
| 1 January 2013                    | 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 |
| Additions                         | 3,511,770                         | -                         | 5,950,229                | 50,357,321   | 3,186,387                                | 9,343,984      | 110,108,417                                | 182,458,108   |
| Capitalised interest              | -                                 | -                         | 39,071                   | 185,014  | -  | -              | 98,257                                     | 322,342       |
| Disposals/write off               | (4,010,245)                       | -                         | (339,746)                | (39,153,753)   | (2,044,762)                              | (23,319,489)   | -  | (68,867,995)  |
| Transfer in (transfer out)        | -                                 | -                         | 9,789,333                | 77,590,825   | 765,784                                  | 9,574,264      | (97,720,206)                               | -             |
| Transfer to investment properties | (9,203,577)                       | -                         | (127,186,063)            | -  | -  | -              | -  | (136,389,640) |
| 31 December 2014                  | 688,956,209                       | 76,475,756                | 900,292,905              | 2,596,736,515  | 114,193,958                              | 248,885,148    | 91,218,972                                 | 4,716,759,463 |

(Unit: Baht)

## Consolidated financial statements

|  | Land and land<br>improvement | Land awaiting<br>development | Building and<br>building<br>improvement | Machinery and<br>factory and<br>agricultural<br>equipment and<br>waste water<br>treatment | Furniture,<br>fixtures<br>and office<br>equipment | Motor vehicles | Assets under<br>construction<br>and installation | Total         |
|--|------------------------------|------------------------------|---|---|---|----------------|--|---------------|
| <b><u>Accumulated depreciation</u></b>                                     |                              |                              |   |   |   |                |  |               |
| 1 January 2013   | -                            | -                            | 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 |
| Depreciation for the year  | -                            | -                            | 45,189,184                              | 150,748,749   | 5,300,855   | 25,813,772     | -  | 227,052,560   |
| Depreciation on disposals/write off  | -                            | -                            | (293,692)                               | (34,985,053)  | (1,972,437)                                       | (22,973,389)   | -  | (60,224,571)  |
| Depreciation on items transferred to<br>investment properties              | -                            | -                            | (63,689,822)                            | -   | -   | -              | -  | (63,689,822)  |
| 31 December 2014   | -                            | -                            | 578,231,190                             | 1,682,991,712   | 99,686,395  | 180,064,867    | -  | 2,540,974,164 |
| <b><u>Allowance for impairment</u></b>                                     |                              |                              |   |   |   |                |  |               |
| 1 January 2013   | 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   |
| Decrease during the year for items transferred<br>to investment properties | -                            | -                            | (39,489,294)                            | -   | -   | -              | -  | (39,489,294)  |
| 31 December 2014   | 14,638,278                   | -                            | -                                       | 66,216,486  | -   | -              | -  | 80,854,764    |

(Unit: Baht)

Consolidated financial statements

|  | Land and land<br>improvement | Land awaiting<br>development | Building and<br>improvement | Machinery and<br>factory and<br>agricultural<br>equipment and<br>waste water<br>treatment | Furniture,<br>fixtures<br>and office<br>equipment | Motor vehicles | Assets under<br>construction<br>and installation | Total         |
|--|------------------------------|------------------------------|-----------------------------|---|---|----------------|--|---------------|
| <b>Net book value</b>  |                              |                              |                             |   |   |                |  |               |
| 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 |
| 31 December 2014   | 674,317,931                  | 76,475,756                   | 322,061,715                 | 847,528,317   | 14,507,563  | 68,820,281     | 91,218,972                                       | 2,094,930,535 |
| <b>Depreciation for the year</b>   |                              |                              |                             |   |   |                |  |               |
| 2013 (Baht 201.4 million included in manufacturing cost, and the balance in administrative expenses) |                              |                              |                             |   |   |                |  | 222,122,636   |
| 2014 (Baht 203.5 million included in manufacturing cost, and the balance in administrative expenses) |                              |                              |                             |   |   |                |  | 227,052,560   |

(Unit: Baht)

## Separate financial statements

|                              | Land       | Building and<br>improvement | Machinery and<br>factory and<br>agricultural<br>equipment and<br>waste water<br>treatment | Furniture, fixtures<br>and office<br>equipment | Motor vehicles | Assets under<br>construction<br>and installation | Total         |
|------------------------------|------------|-----------------------------|---|--|----------------|--|---------------|
| <b>Cost</b>                  |            |                             |   |  |                |  |               |
| 1 January 2013               | 22,323,875 | 297,823,332                 | 1,130,515,364   | 36,854,674                                     | 47,321,857     | 4,566,009  | 1,539,405,111 |
| Additions                    | -          | 220,000                     | 22,264,411  | 1,223,405                                      | 8,227,794      | 20,031,545                                       | 51,967,155    |
| Disposals/write off          | -          | -                           | (10,578,866)  | (744,721)                                      | (8,282,203)    | -  | (19,605,790)  |
| Transfer in (transfer out)   | -          | 5,383,627                   | 5,820,043   | 246,168  | -              | (11,449,838)                                     | -             |
| Transfer to intangible asset | -          | -                           | -   | -  | -              | (700,000)  | (700,000)     |
| 31 December 2013             | 22,323,875 | 303,426,959                 | 1,148,020,952   | 37,579,526                                     | 47,267,448     | 12,447,716                                       | 1,571,066,476 |
| Additions                    | 3,511,770  | -                           | 19,778,331  | 605,789  | 2,485,000      | 55,872,185                                       | 82,253,075    |
| Disposals/write off          | -          | (272,843)                   | (22,916,504)  | (433,880)                                      | (2,342,960)    | -  | (25,966,187)  |
| Transfer in (transfer out)   | -          | 3,204,728                   | 17,921,487  | 605,230  | -              | (21,731,445)                                     | -             |
| 31 December 2014             | 25,835,645 | 306,358,844                 | 1,162,804,266   | 38,356,665                                     | 47,409,488     | 46,588,456                                       | 1,627,353,364 |



(Unit: Baht)

## Separate financial statements

|   | Land       | Building and<br>building<br>improvement | Machinery and<br>factory and<br>agricultural<br>equipment and<br>waste water<br>treatment | Furniture, fixtures<br>and office<br>equipment | Motor vehicles | Assets under<br>construction and<br>installation | Total         |
|---|------------|---|---|--|----------------|--|---------------|
| <b><u>Accumulated depreciation</u></b>  |            |   |   |  |                |  |               |
| 1 January 2013  | -          | 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   |
| Depreciation for the year   | -          | 14,578,105                              | 60,025,444  | 1,770,681                                      | 4,882,846      | -  | 81,257,076    |
| Depreciation on disposals/write off   | -          | (272,836)                               | (22,881,598)  | (431,538)                                      | (2,342,956)    | -  | (25,928,928)  |
| 31 December 2014  | -          | 223,319,740                             | 724,903,725   | 34,774,801                                     | 35,891,378     | -  | 1,018,889,644 |
| <b><u>Allowance for impairment</u></b>  |            |   |   |  |                |  |               |
| 1 January 2013  | -          | -                                       | 1,926,317   | -  | -              | -  | 1,926,317     |
| Decrease during the year  | -          | -                                       | (1,926,317)   | -  | -              | -  | (1,926,317)   |
| 31 December 2013  | -          | -                                       | -   | -  | -              | -  | -             |
| 31 December 2014  | -          | -                                       | -   | -  | -              | -  | -             |
| <b><u>Net book value</u></b>  |            |   |   |  |                |  |               |
| 31 December 2013  | 22,323,875 | 94,412,488                              | 460,261,073   | 4,143,868                                      | 13,915,960     | 12,447,716                                       | 607,504,980   |
| 31 December 2014  | 25,835,645 | 83,039,104                              | 437,900,541   | 3,581,864                                      | 11,518,110     | 46,588,456                                       | 608,463,720   |
| <b><u>Depreciation for the year</u></b>   |            |   |   |  |                |  |               |
| 2013 (Baht 71.9 million included in manufacturing cost, and the balance in administrative expenses) |            |   |   |  |                |  | 82,160,384    |
| 2014 (Baht 71.1 million included in manufacturing cost, and the balance in administrative expenses) |            |   |   |  |                |  | 81,257,076    |

During the current year, the subsidiary reclassified land and land improvement, buildings and building improvement to investment properties because the subsidiary plans to sell these assets, as mentioned in Note 2.2 a).

During 2014, the subsidiary capitalised interest amounting to Baht 0.3 million (2013: Baht 1.7 million) to the costs of plant enlargement 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 2.82% - 3.44% per annum (2013: 3.17% - 3.55% per annum).

As at 31 December 2013, the majority of land and buildings thereon of the subsidiary were mortgaged with the bank to secure credit facilities and bank guarantees granted by the bank. However, the subsidiary released such mortgage in March 2014.

As at 31 December 2014, 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 1,362 million (2013: Baht 1,264 million) and for the Company amounted to approximately Baht 532 million (2013: Baht 502 million).

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

|   | (Unit: Baht)   |  |              | Separate<br>financial<br>statements  |
|---|--|--|--------------|--|
|   | Consolidated financial statements  |  |              |  |
|   | Cost of forest<br>land rights and<br>cost of palm<br>plantation ready<br>for harvest | Cost of palm<br>plantation<br>not ready for<br>harvest | Total        |  |
| <b>Cost</b>   |  |  |              | Cost of forest<br>land rights and<br>cost of palm<br>plantation ready<br>for harvest |
| 1 January 2013  | 610,741,369  | 12,538,958   | 623,280,327  | 294,119  |
| Additions   | 27,600,000   | 22,370,168   | 49,970,168   | -  |
| Write off   | (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  |
| Additions   | 8,286,571  | 23,784,976   | 32,071,547   | -  |
| Write off   | (49,064,274)   | -  | (49,064,274) | -  |
| Transfer in (transfer out)  | 978,000  | (18,304,844)   | (17,326,844) | -  |
| 31 December 2014  | 595,318,696  | 32,177,880   | 627,496,576  | 294,119  |
| <b>Accumulated amortisation</b>                                   |  |  |              |  |
| 1 January 2013  | 358,367,497  | -  | 358,367,497  | 34,295   |
| Amortisation for the year   | 30,612,449   | -  | 30,612,449   | 11,765   |
| Amortisation on write off   | (742,326)  | -  | (742,326)    | -  |
| 31 December 2013  | 388,237,620  | -  | 388,237,620  | 46,060   |
| Amortisation for the year   | 37,047,734   | -  | 37,047,734   | 11,765   |
| Amortisation on write off   | (11,207,009)   | -  | (11,207,009) | -  |
| 31 December 2014  | 414,078,325  | -  | 414,078,325  | 57,825   |
| <b>Net book value</b>   |  |  |              |  |
| 31 December 2013  | 246,880,779  | 26,697,748   | 273,578,527  | 248,059  |
| 31 December 2014  | 181,240,371  | 32,177,880   | 213,418,251  | 236,294  |
| <b>Amortisation for the year (included in manufacturing cost)</b> |  |  |              |  |
| 2013  |  |  | 30,612,449   | 11,765   |
| 2014  |  |  | 37,047,734   | 11,765   |

Approximately 12,205 rai of the total area utilised by the subsidiary has land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3) and for the remainder the subsidiary has possessory rights and is currently in the process of acquiring legal documentation of ownership.

During the year 2014, other land ownership documents of the subsidiary for the land of approximately 19 rai have been transformed into land title deeds.

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

## 16. Intangible assets

The net book value of intangible assets as at 31 December 2014 and 2013 is presented below.

|                                | Consolidated financial statements |                  |                   | (Unit: Baht)<br>Separate<br>financial<br>statements |
|--------------------------------|-----------------------------------|------------------|-------------------|---|
|                                | Computer<br>software              | Licenses         | Total             | Computer<br>software                                |
|                                | As at 31 December 2014            |                  |                   |   |
| Cost                           | 55,883,798                        | 10,764,200       | 66,647,998        | 25,261,596  |
| Less: Accumulated amortisation | (47,611,799)                      | (2,488,862)      | (50,100,661)      | (20,196,722)  |
| Net book value                 | <u>8,271,999</u>                  | <u>8,275,338</u> | <u>16,547,337</u> | <u>5,064,874</u>                                    |
| As at 31 December 2013         |                                   |                  |                   |   |
| 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>                                    |

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

|  | Consolidated financial statements   |                   | (Unit: Baht)<br>Separate financial statements |                  |
|--|-------------------------------------|-------------------|---|------------------|
|  | 2014                                | 2013              | 2014  | 2013             |
|  | Net book value at beginning of year | 15,968,798        | 14,353,663                                    | 5,126,205        |
| Acquisition of computer software               | 2,704,662                           | 3,629,887         | 592,600                                       | 2,395,000        |
| Transfer from property, plant and<br>equipment | -                                   | 700,000           | -   | 700,000          |
| Disposals - net book value                     | (19)                                | -                 | (19)  | -                |
| Amortisation for the year                      | (2,126,104)                         | (2,714,752)       | (653,912)                                     | (662,202)        |
| Net book value at end of year                  | <u>16,547,337</u>                   | <u>15,968,798</u> | <u>5,064,874</u>                              | <u>5,126,205</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.

## 17. Short-term loans from financial institutions

(Unit: Baht)

|                  | Interest rate       |             | Consolidated         |               | Separate             |             |
|------------------|---------------------|-------------|----------------------|---------------|----------------------|-------------|
|                  | (percent per annum) |             | financial statements |               | financial statements |             |
|                  | 2014                | 2013        | 2014                 | 2013          | 2014                 | 2013        |
| Short-term loans |                     |             |                      |               |                      |             |
| from financial   |                     |             |                      |               |                      |             |
| institutions     | 2.30 - 4.75         | 2.30 - 3.30 | 1,230,000,000        | 1,240,748,983 | 140,000,000          | 185,000,000 |
| Total            |                     |             | 1,230,000,000        | 1,240,748,983 | 140,000,000          | 185,000,000 |

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

## 18. Trade and other payables

(Unit: Baht)

|  | Consolidated         |             | Separate             |             |
|--|----------------------|-------------|----------------------|-------------|
|  | financial statements |             | financial statements |             |
|  | 2014                 | 2013        | 2014                 | 2013        |
| Trade payables - related parties           | -                    | 360,502     | 140,195,424          | 168,573,513 |
| Trade payables - unrelated parties         | 245,671,357          | 341,914,265 | 172,366,883          | 268,376,837 |
| Other payables - related parties           | 456,722              | 581,011     | -                    | -           |
| Other payables - unrelated parties         | 51,422,861           | 51,296,855  | 31,663,797           | 32,968,552  |
| Advance received from related parties      | 125,645              | 6,644       | 12,849               | 24,059      |
| Other payables for purchase of machineries | 9,922,872            | 7,301,535   | 5,587,923            | 2,798,267   |
| Accrued expenses                           | 124,851,410          | 107,704,692 | 64,640,705           | 58,368,877  |
| Total trade and other payables             | 432,450,867          | 509,165,504 | 414,467,581          | 531,110,105 |

## 19. Other current liabilities

(Unit: Baht)

|                                 | Consolidated         |            | Separate             |            |
|---------------------------------|----------------------|------------|----------------------|------------|
|                                 | financial statements |            | financial statements |            |
|                                 | 2014                 | 2013       | 2014                 | 2013       |
| Advance income                  | 45,071,724           | 17,676,574 | 19,134,631           | 17,676,574 |
| Accrued dividend                | 4,141,093            | 3,711,565  | 1,024,961            | 588,777    |
| Others                          | 40,677,572           | 41,043,975 | 31,226,559           | 28,903,376 |
| Total other current liabilities | 89,890,389           | 62,432,114 | 51,386,151           | 47,168,727 |

## 20. Long-term loans

(Unit: Million Baht)

| Loan  | Consolidated financial statements |          | Separate financial statements |         | Interest rate<br>(Percent per annum) | Repayment schedule   | Security   |
|---|-----------------------------------|----------|-------------------------------|---------|--------------------------------------|--|--|
|   | 2014                              | 2013     | 2014                          | 2013    |                                      |  |  |
| <b><u>The Company and its subsidiary</u></b>                          |                                   |          |                               |         |                                      |  |  |
| 1   | -                                 | 15.00    | -                             | 15.00   | THBFIX plus applicable margin        | Repayment in 17 quarterly installments, starting March 2010    | No collateral  |
| 2   | 175.00                            | 300.00   | -                             | -       | BIBOR + 1                            | Repayment in 12 quarterly installments, starting February 2014 | No collateral  |
| Total long-term loans - the Company and its subsidiary                | 175.00                            | 315.00   | -                             | 15.00   |                                      |  |  |
| <b><u>The subsidiary company held by the subsidiary</u></b>           |                                   |          |                               |         |                                      |  |  |
| Union Frost Company Limited   |                                   |          |                               |         |                                      |  |  |
| 1   | -                                 | 2.14     | -                             | -       | Fixed rate                           | Monthly installment of Baht 1.17 million, starting March 2009  | Mortgage of land and construction thereon, and negative pledge of machinery which was redeemed in March 2014 |
| Total long-term loans - the subsidiary company held by the subsidiary | -                                 | 2.14     | -                             | -       |                                      |  |  |
| Total long-term loans   | 175.00                            | 317.14   | -                             | 15.00   |                                      |  |  |
| Less: Current portion   | (100.00)                          | (117.14) | -                             | (15.00) |                                      |  |  |
| Long-term loans - net of current portion                              | 75.00                             | 200.00   | -                             | -       |                                      |  |  |

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

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

In 2001, a subsidiary of the 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 Royal Forest 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. However, in 2014, the subsidiary had reversed the provision of land rental charge since the subsidiary entered into a lease agreement with the Treasury Department in December 2014 after the permit with the Royal Forest Department expired on 8 July 2014. During the said permit being still effective, the subsidiary was obliged to comply with the rules and regulations of the Royal Forest Department.



## 22. Provision for long-term employee benefits

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

(Unit: Baht)

|   | Consolidated financial statements           |                                   |              |   |                                   |              |
|---|---|-----------------------------------|--------------|---|-----------------------------------|--------------|
|   | 2014  |                                   |              | 2013  |                                   |              |
|   | Employee retirement benefit under labor law | Other long-term employee benefits | Total        | Employee retirement benefit under labor law | Other long-term employee benefits | Total        |
| <b>Defined benefit obligations at beginning of year</b>         | 115,646,412                                 | 5,409,989                         | 121,056,401  | 134,632,611                                 | 4,897,149                         | 139,529,760  |
| Current service cost  | 7,930,942                                   | 178,900                           | 8,109,842    | 12,346,826                                  | 405,507                           | 12,752,333   |
| Interest cost   | 4,243,208                                   | 69,592                            | 4,312,800    | 4,709,041                                   | 107,333                           | 4,816,374    |
| Benefits paid during the year                                   | (27,639,774)                                | (575,000)                         | (28,214,774) | (34,070,155)                                | -                                 | (34,070,155) |
| Actuarial gain  | (24,267,184)                                | (3,372,988)                       | (27,640,172) | -   | -                                 | -            |
| Reversal of provisions  | -   | -                                 | -            | (1,971,905)                                 | -                                 | (1,971,905)  |
| <b>Defined benefit obligations at end of year</b>               | 75,913,604                                  | 1,710,493                         | 77,624,097   | 115,646,418                                 | 5,409,989                         | 121,056,407  |
| Unrecognised transitional provisions                            | (20,850,676)                                | (778,605)                         | (21,629,281) | (41,763,276)                                | (1,557,211)                       | (43,320,487) |
| <b>Provision for long-term employee benefits at end of year</b> | 55,062,928                                  | 931,888                           | 55,994,816   | 73,883,142                                  | 3,852,778                         | 77,735,920   |

(Unit: Baht)

|   | Separate financial statements               |                                   |              |   |                                   |              |
|---|---|-----------------------------------|--------------|---|-----------------------------------|--------------|
|   | 2014  |                                   |              | 2013  |                                   |              |
|   | Employee retirement benefit under labor law | Other long-term employee benefits | Total        | Employee retirement benefit under labor law | Other long-term employee benefits | Total        |
| <b>Defined benefit obligations at beginning of year</b>         | 62,291,237                                  | 5,409,989                         | 67,701,226   | 77,808,398                                  | 4,897,149                         | 82,705,547   |
| Current service cost  | 3,438,772                                   | 178,900                           | 3,617,672    | 7,519,880                                   | 405,507                           | 7,925,387    |
| Interest cost   | 2,638,715                                   | 69,592                            | 2,708,307    | 2,902,243                                   | 107,333                           | 3,009,576    |
| Benefits paid during the year                                   | (23,744,096)                                | (575,000)                         | (24,319,096) | (25,939,283)                                | -                                 | (25,939,283) |
| Actuarial gain  | (2,983,044)                                 | (3,372,988)                       | (6,356,032)  | -   | -                                 | -            |
| <b>Defined benefit obligations at end of year</b>               | 41,641,584                                  | 1,710,493                         | 43,352,077   | 62,291,238                                  | 5,409,989                         | 67,701,227   |
| Unrecognised transitional provisions                            | (12,119,778)                                | (778,605)                         | (12,898,383) | (24,301,466)                                | (1,557,211)                       | (25,858,677) |
| <b>Provision for long-term employee benefits at end of year</b> | 29,521,806                                  | 931,888                           | 30,453,694   | 37,989,772                                  | 3,852,778                         | 41,842,550   |

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

(Unit: Baht)

|   | Consolidated financial statements           |                                   |                   |   |                                   |                   |
|---|---|-----------------------------------|-------------------|---|-----------------------------------|-------------------|
|   | 2014  |                                   |                   | 2013  |                                   |                   |
|   | Employee retirement benefit under labor law | Other long-term employee benefits | Total             | Employee retirement benefit under labor law | Other long-term employee benefits | Total             |
| Current service cost  | 7,930,942                                   | 178,900                           | 8,109,842         | 12,346,826                                  | 405,507                           | 12,752,333        |
| Interest cost   | 4,243,208                                   | 69,592                            | 4,312,800         | 4,709,041                                   | 107,333                           | 4,816,374         |
| Actuarial gain recognised during the year                           | -   | (3,372,988)                       | (3,372,988)       | -   | -                                 | -                 |
| Transitional liability recognised during the year                   | 20,912,594                                  | 778,605                           | 21,691,199        | 21,671,022                                  | 778,605                           | 22,449,627        |
| <b>Total expenses recognised in profit or loss</b>                  | <b>33,086,744</b>                           | <b>(2,345,891)</b>                | <b>30,740,853</b> | <b>38,726,889</b>                           | <b>1,291,445</b>                  | <b>40,018,334</b> |
| Line items in profit or loss under which such expenses are included |   |                                   |                   |   |                                   |                   |
| Cost of sales   |   |                                   | 20,645,523        |   |                                   | 24,463,964        |
| Selling and administrative expenses                                 |   |                                   | 10,095,330        |   |                                   | 15,554,370        |

(Unit: Baht)

|   | Separate financial statements               |                                   |                   |   |                                   |                   |
|---|---|-----------------------------------|-------------------|---|-----------------------------------|-------------------|
|   | 2014  |                                   |                   | 2013  |                                   |                   |
|   | Employee retirement benefit under labor law | Other long-term employee benefits | Total             | Employee retirement benefit under labor law | Other long-term employee benefits | Total             |
| Current service cost  | 3,438,772                                   | 178,900                           | 3,617,672         | 7,519,880                                   | 405,507                           | 7,925,387         |
| Interest cost   | 2,638,715                                   | 69,592                            | 2,708,307         | 2,902,243                                   | 107,333                           | 3,009,576         |
| Actuarial gain recognised during the year                           | -   | (3,372,988)                       | (3,372,988)       | -   | -                                 | -                 |
| Transitional liability recognised during the year                   | 12,181,688                                  | 778,605                           | 12,960,293        | 12,181,688                                  | 778,605                           | 12,960,293        |
| <b>Total expenses recognised in profit or loss</b>                  | <b>18,259,175</b>                           | <b>(2,345,891)</b>                | <b>15,913,284</b> | <b>22,603,811</b>                           | <b>1,291,445</b>                  | <b>23,895,256</b> |
| Line items in profit or loss under which such expenses are included |   |                                   |                   |   |                                   |                   |
| Cost of sales   |   |                                   | 9,984,591         |   |                                   | 11,311,960        |
| Selling and administrative expenses                                 |   |                                   | 5,928,693         |   |                                   | 12,583,296        |

As at 31 December 2014, cumulative actuarial gains, which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 24.3 million (2013: Nil) (the Company only: Baht 3.0 million and 2013: Nil).

Key actuarial assumptions used for the valuation are as follows:

|   | Consolidated         |               | Separate      |               | financial     |               |
|---|----------------------|---------------|---------------|---------------|---------------|---------------|
|   | financial statements |               | statements    |               |               |               |
|   | 2014                 | 2013          | 2014          | 2013          | 2014          | 2013          |
|   | (% per annum)        | (% per annum) | (% per annum) | (% per annum) | (% per annum) | (% per annum) |
| Discount rate                             | 4.30 - 4.75          | 3.1           | 4.52, 4.77    |               | 3.1           |               |
| Future salary increase rate               | 5.0                  | 5.0           | 5.0           |               | 5.0           |               |
| Staff turnover rate<br>(depending on age) | 0 - 46               | 0 - 80        | 0 - 46        |               | 0 - 45        |               |

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

(Unit: Million Baht)

| Year | Consolidated financial statements           |                                   |       |   |                                   |       |
|------|---|-----------------------------------|-------|---|-----------------------------------|-------|
|      | Defined benefit obligations                 |                                   |       | Experience adjustments on the obligations   |                                   |       |
|      | Employee retirement benefit under labor law | Other long-term employee benefits | Total | Employee retirement benefit under labor law | Other long-term employee benefits | Total |
|      |   |                                   |       |   |                                   |       |
| 2014 | 76  | 2                                 | 78    | 46  | (3)                               | 43    |
| 2013 | 116   | 5                                 | 121   | -   | -                                 | -     |
| 2012 | 135   | 5                                 | 140   | -   | -                                 | -     |
| 2011 | 143   | 4                                 | 147   | -   | -                                 | -     |
| 2010 | 148   | 4                                 | 152   | -   | -                                 | -     |

(Unit: Million Baht)

| Year | Separate financial statements               |                                   |       |   |                                   |       |
|------|---|-----------------------------------|-------|---|-----------------------------------|-------|
|      | Defined benefit obligations                 |                                   |       | Experience adjustments on the obligations   |                                   |       |
|      | Employee retirement benefit under labor law | Other long-term employee benefits | Total | Employee retirement benefit under labor law | Other long-term employee benefits | Total |
|      |   |                                   |       |   |                                   |       |
| 2014 | 41  | 2                                 | 43    | 24  | (3)                               | 21    |
| 2013 | 62  | 6                                 | 68    | -   | -                                 | -     |
| 2012 | 78  | 5                                 | 83    | -   | -                                 | -     |
| 2011 | 91  | 4                                 | 95    | -   | -                                 | -     |
| 2010 | 97  | 4                                 | 101   | -   | -                                 | -     |

## 23. 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.

## 24. Expenses by nature

Significant expenses classified by nature are as follows:

|   | (Unit: Baht)         |               |                      |               |
|---|----------------------|---------------|----------------------|---------------|
|   | Consolidated         |               | Separate             |               |
|   | financial statements |               | financial statements |               |
|   | <u>2014</u>          | <u>2013</u>   | <u>2014</u>          | <u>2013</u>   |
| Raw materials and consumables used                              | 5,990,700,762        | 3,854,886,253 | 5,120,288,587        | 3,805,636,071 |
| Changes in inventories of finished goods and<br>work in process | (159,838,347)        | 358,215,241   | (62,132,974)         | 174,998,088   |
| Salary and wages and other employee benefits                    | 794,247,631          | 813,074,268   | 308,989,649          | 289,293,066   |
| Depreciation and amortisation                                   | 267,124,379          | 256,201,575   | 83,621,411           | 84,533,009    |
| Transportation expenses   | 165,658,206          | 187,387,443   | 101,870,941          | 100,031,697   |
| Promotion expenses  | 154,626,393          | 106,682,036   | 154,626,393          | 106,682,036   |
| Repair and maintenance expenses                                 | 113,718,676          | 106,837,701   | 33,327,029           | 24,713,135    |
| Loss on impairment of assets                                    | -                    | 105,705,780   | -                    | -             |
| Rental expenses from operating lease<br>agreements              | 34,739,166           | 25,293,203    | 5,589,748            | 6,707,197     |

## 25. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

(Unit: Baht)

|   | Consolidated         |                    | Separate             |                   |
|---|----------------------|--------------------|----------------------|-------------------|
|   | financial statements |                    | financial statements |                   |
|   | <u>2014</u>          | <u>2013</u>        | <u>2014</u>          | <u>2013</u>       |
| <b>Current income tax:</b>  |                      |                    |                      |                   |
| Current income tax charge   | 91,214,945           | 108,381,642        | 35,627,132           | 50,567,411        |
| <b>Deferred tax:</b>  |                      |                    |                      |                   |
| Relating to origination and reversal of temporary differences                 | 429,952              | (1,289,466)        | 1,662,098            | 817,627           |
| <b>Income tax expenses reported in the statements of comprehensive income</b> | <u>91,644,897</u>    | <u>107,092,176</u> | <u>37,289,230</u>    | <u>51,385,038</u> |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Baht)

|  | Consolidated         |                 | Separate             |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | financial statements |                 | financial statements |                 |
|  | <u>2014</u>          | <u>2013</u>     | <u>2014</u>          | <u>2013</u>     |
| Deferred tax relating to gain on change in value of available-for-sale investments | 230,647              | (34,874)        | 230,647              | (34,874)        |
| Deferred tax relating to actuarial gain  | 4,528,782            | -               | 596,609              | -               |
| Income tax charged directly to other comprehensive income                          | <u>4,759,429</u>     | <u>(34,874)</u> | <u>827,256</u>       | <u>(34,874)</u> |

Reconciliation between accounting profit and income tax expenses is shown below.

(Unit: Baht)

|  | Consolidated         |              | Separate             |              |
|--|----------------------|--------------|----------------------|--------------|
|  | financial statements |              | financial statements |              |
|  | 2014                 | 2013         | 2014                 | 2013         |
| Accounting profit before tax   | 530,535,669          | 418,601,707  | 317,784,725          | 436,800,653  |
| Applicable tax rate  | 15% and 20%          | 15% and 20%  | 20%                  | 20%          |
| Accounting profit before tax multiplied by applicable tax rate         | 133,992,346          | 104,774,282  | 63,556,945           | 87,360,131   |
| Effects of:  |                      |              |                      |              |
| Promotional privileges (Note 26)                                       | (18,253,041)         | 1,183,551    | (1,593,742)          | (13,335,493) |
| Non-deductible expenses  | 9,637,682            | 28,541,578   | 624,899              | 579,529      |
| Additional expense deductions allowed                                  | (33,732,090)         | (28,396,103) | (25,298,872)         | (23,219,129) |
| Others   | -                    | 988,868      | -                    | -            |
| Total  | (42,347,449)         | 2,317,894    | (26,267,715)         | (35,975,093) |
| Income tax expenses reported in the statements of comprehensive income | 91,644,897           | 107,092,176  | 37,289,230           | 51,385,038   |

The components of deferred tax assets are as follows:

(Unit: Baht)

|   | Statements of financial position  |             |                                |             |
|---|-----------------------------------|-------------|--------------------------------|-------------|
|   | Consolidated financial statements |             | Separated financial statements |             |
|   | As at                             | As at       | As at                          | As at       |
|   | 31 December                       | 31 December | 31 December                    | 31 December |
|   | 2014                              | 2013        | 2014                           | 2013        |
| <b>Deferred tax assets</b>  |                                   |             |                                |             |
| Allowance for doubtful accounts                                       | 19,772,114                        | 18,827,437  | 2,163,555                      | 2,165,794   |
| Allowance for diminution in value of inventories                      | 1,172,291                         | 765,006     | 21,453                         | 150         |
| Allowance for impairment loss of investment in associated company     | 2,400,000                         | 2,400,000   | -                              | -           |
| Unrealised loss on changes in value of available-for-sale investments | -                                 | 136,389     | -                              | 136,389     |
| Allowance for asset impairment  | 3,365,525                         | 3,529,727   | -                              | -           |
| Provision for long-term employee benefits                             | 8,989,356                         | 15,135,850  | 6,090,739                      | 8,368,510   |
| Total   | 35,699,286                        | 40,794,409  | 8,275,747                      | 10,670,843  |
| <b>Deferred tax liabilities</b>                                       |                                   |             |                                |             |
| Unrealised gain on changes in value of available-for-sale investments | 94,258                            | -           | 94,258                         | -           |
| Total   | 94,258                            | -           | 94,258                         | -           |
| <b>Net deferred tax assets</b>  | 35,605,028                        | 40,794,409  | 8,181,489                      | 10,670,843  |



## 26. 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>                         |
|------------------------|--|
| 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>  |
|------------------------|---|
| 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 |

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).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2014 and 2013 were as follows:

|                | (Unit: Baht)         |                      |                         |                      |                      |                      |
|----------------|----------------------|----------------------|-------------------------|----------------------|----------------------|----------------------|
|                | Promoted operations  |                      | Non-promoted operations |                      | Total                |                      |
|                | 2014                 | 2013                 | 2014                    | 2013                 | 2014                 | 2013                 |
| <b>Sales</b>   |                      |                      |                         |                      |                      |                      |
| Domestic sales | 2,118,585,245        | 1,738,669,307        | 4,503,187,149           | 3,861,197,117        | 6,621,772,394        | 5,599,866,424        |
| Export sales   | 44,976,459           | 81,372,538           | 264,989,585             | 178,099,243          | 309,966,044          | 259,471,781          |
| Total sales    | <u>2,163,561,704</u> | <u>1,820,041,845</u> | <u>4,768,176,734</u>    | <u>4,039,296,360</u> | <u>6,931,738,438</u> | <u>5,859,338,205</u> |

## 27. 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 |         |
|   | 2014                            | 2013    | 2014                 | 2013    |
| Profit attributable to equity holders of the Company<br>(Thousand Baht) | 378,742                         | 250,335 | 280,495              | 385,416 |
| Weighted average number of ordinary shares<br>(Thousand shares)         | 820,000                         | 820,000 | 820,000              | 820,000 |
| Basic earnings per share (Baht/share)                                   | 0.46                            | 0.31    | 0.34                 | 0.47    |

## 28. 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 2014 and 2013.

(Unit: Million Baht)

|                                 | Segment    |            |                                 |            |              |              | Elimination of             |           | Consolidated |              |
|---------------------------------|------------|------------|---------------------------------|------------|--------------|--------------|----------------------------|-----------|--------------|--------------|
|                                 | Palm oil   |            | Processed fruits and vegetables |            | Total        |              | inter-segment transactions |           |              |              |
|                                 | 2014       | 2013       | 2014                            | 2013       | 2014         | 2013         | 2014                       | 2013      | 2014         | 2013         |
| Revenue from external customers | 6,642      | 5,439      | 1,809                           | 1,804      | 8,451        | 7,243        | -                          | -         | 8,451        | 7,243        |
| Intersegment revenues           | 755        | 949        | 735                             | 728        | 1,490        | 1,677        | (1,490)                    | (1,677)   | -            | -            |
| Interest income                 |            |            |                                 |            |              |              |                            |           |              |              |
| Interest expenses               | (21)       | (14)       | (31)                            | (38)       | (52)         | (52)         | -                          | -         | (52)         | (52)         |
| Depreciation and amortisation   | (193)      | (184)      | (74)                            | (72)       | (267)        | (256)        | -                          | -         | (267)        | (256)        |
| Income tax expenses             | (74)       | (101)      | (20)                            | (6)        | (94)         | (107)        | -                          | -         | (94)         | (107)        |
| Loss on impairment of assets    | -          | -          | 2                               | (106)      | 2            | (106)        | -                          | -         | 2            | (106)        |
| <b>Segment profit</b>           | <b>884</b> | <b>968</b> | <b>488</b>                      | <b>328</b> | <b>1,372</b> | <b>1,296</b> | <b>3</b>                   | <b>13</b> | <b>1,375</b> | <b>1,309</b> |

(Unit: Million Baht)

|  | Segment      |              |                                 |            |              |              | Elimination of             |              | Consolidated |              |
|--|--------------|--------------|---------------------------------|------------|--------------|--------------|----------------------------|--------------|--------------|--------------|
|  | Palm oil     |              | Processed fruits and vegetables |            | Total        |              | inter-segment transactions |              |              |              |
|  | 2014         | 2013         | 2014                            | 2013       | 2014         | 2013         | 2014                       | 2013         | 2014         | 2013         |
| <b>Segment total assets</b>  | <b>4,951</b> | <b>4,833</b> | <b>1,405</b>                    | <b>678</b> | <b>6,356</b> | <b>5,511</b> | <b>(1,230)</b>             | <b>(348)</b> | <b>5,126</b> | <b>5,163</b> |
| Additions (reduction) to non-current assets other than financial instruments and deferred tax assets | 30           | 426          | (137)                           | (96)       | (107)        | 330          | -                          | -            | (107)        | 330          |

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

### *Geographic information*

During the year 2014, the Company's and its subsidiaries' sales represent domestic sales of 85 percent (2013: 84 percent) and export sales of 15 percent (2013: 16 percent).

### *Major customers*

For the years 2014 and 2013, the Company and its subsidiaries have no major external customer with revenue of 10 percent or more of an entity's revenues.

## **29. 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 2014, total amount of approximately of Baht 10.7 million (2013: Baht 9.9 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 5.4 million had been contributed by the Company (2013: Baht 4.8 million).

### 30. Dividends

|  | Approved by   | Total dividends    | (Unit: Baht)<br>Dividend per share |
|--|---|--------------------|------------------------------------|
| <b><u>The Company</u></b>  |   |                    |                                    |
| <b><u>For the year 2013</u></b>                                    |   |                    |                                    |
| Final dividends for 2012   | Annual General Meeting<br>of the shareholders on 26<br>April 2013 | 164,000,000        | 0.20                               |
| <b>Total dividends for the year 2013</b>                           |   | <u>164,000,000</u> | <u>0.20</u>                        |
| <b><u>For the year 2014</u></b>                                    |   |                    |                                    |
| Final dividends for 2013   | Annual General Meeting<br>of the shareholders on<br>25 April 2014 | 164,000,000        | 0.20                               |
| <b>Total dividends for the year 2014</b>                           |   | <u>164,000,000</u> | <u>0.20</u>                        |
| <br>   |   |                    |                                    |
|  | Approved by   | Total dividends    | (Unit: Baht)<br>Dividend per share |
| <b><u>Subsidiary</u></b>   |   |                    |                                    |
| <b><u>For the year 2013</u></b>                                    |   |                    |                                    |
| Final dividends for 2012   | Annual General Meeting<br>of the shareholders on<br>26 April 2013 | 97,215,000         | 0.30                               |
| Interim dividends for the period from<br>January to June 2013      | Board of Directors' Meeting<br>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>                        |
| <b><u>For the year 2014</u></b>                                    |   |                    |                                    |
| Final dividends for 2013   | Annual General Meeting<br>of the shareholders on<br>25 April 2014 | 129,620,000        | 0.40                               |
| Interim dividends for the period from<br>January to September 2014 | Board of Directors' Meeting<br>on 6 November 2014                 | 48,607,500         | 0.15                               |
| <b>Total dividends for the year 2014</b>                           |   | <u>178,227,500</u> | <u>0.55</u>                        |

## 31. Commitments and contingent liabilities

### 31.1 Capital commitments

As at 31 December 2014, the Company and its subsidiaries had capital commitments relating to the purchase of machineries, equipment, vehicles and construction of buildings amounting to approximately Baht 51.0 million SGD 0.7 million and Euro 39,000 (2013: Baht 16.5 million), the Company only: Baht 8.3 million SGD 0.7 million and Euro 39,000 (2013: Baht 1.8 million).

### 31.2 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>2014</u>          | <u>2013</u> |
| Payable:                              |                      |             |
| Within 1 year                         | 21.8                 | 7.2         |
| More than 1 year but not over 5 years | 63.8                 | 3.2         |
| More than 5 years                     | 15.4                 | -           |

### 31.3 Long-term service commitments

Under the agreement 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 agreement. The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contract.

### 31.4 Guarantees

As at 31 December 2014, 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 16.1 million to guarantee import, electricity usage, among others (2013: Baht 17.9 million) and for the Company: Baht 9.1 million to guarantee electricity usage, among others (2013: Baht 9.1 million).

### 31.5 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 for 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. On 22 July 2014, the Supreme Court judged to uphold the verdict passed by the Court of Appeal. 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 plus interest to the Company after deducting the electricity fee for the period from 5 to 30 November 2003 of approximately Baht 0.4 million. Subsequently on 29 July 2014, the Supreme Court judged to uphold the verdict passed by the Court of Appeal ordering the MEA to refund Baht 2.5 million plus interest to the Company. During the year, the MEA had already refunded Baht 2.5 million plus interest to the Company.

(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.

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

Consequently, Agricultural Land Reform Office sent a letter to the subsidiary regarding the distribution of land. The land of 4,994.10 rai had been distributed. However, the subsidiary found that the distribution of the land of about 1,459 rai, with the cost of land and the net book value of the oil palm on such land as at 31 December 2014 totally Baht 11 million, was in conflict with the subsidiary's land title deed. The subsidiary is in a process to prepare the documents to submit to Agricultural Land Reform Office to nullify the status of being land under Sor Por Kor.

- (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 plots of land represent 3 percent of the total planted area of the subsidiary. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act.

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

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

- (4) In 2008, the subsidiary received a 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 Royal Forest 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 Royal Forest Department. On 18 December 2009, the subsidiary lodged an application for permission to gather forest produce in a National Forest.

On 8 July 2014, a permit from the Royal Forest Department granted to a subsidiary for the exploitation in the National Reserved Forests expired. As a result, the royalties payable to the Royal Forest Department are terminated. On 11 December 2014, the subsidiary entered into a lease agreement for half of the land that was under the expired permit for land exploitation. The agreement is effective from 9 July 2014 to 8 July 2029.



## **32. Financial instruments**

### **32.1 Financial risk management**

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, loans, trade and other payables, short-term and long-term borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. 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, 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 2014 and 2013 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 2014                       |           |            |          |          |       |               |
|--|-----------|------------|----------|----------|-------|---------------|
| Fixed interest rate                          |           |            |          |          |       |               |
|  | More than | Floating   | Non-     |          |       |               |
|  | one year  | interest   | interest |          |       |               |
|  | Within    | but within | interest | interest |       |               |
|  | one year  | four years | rate     | bearing  | Total | Interest rate |
|  |           |            |          |          |       | (% p.a.)      |
| <b>Financial assets</b>                      |           |            |          |          |       |               |
| Cash and cash equivalents                    | -         | -          | 225      | 5        | 230   | 0.10 - 1.25   |
| Trade and other receivables                  | -         | -          | -        | 903      | 903   | -             |
|  | -         | -          | 225      | 908      | 1,133 |               |
| <b>Financial liabilities</b>                 |           |            |          |          |       |               |
| Short-term loans from financial institutions | 340       | -          | 890      | -        | 1,230 | 2.30 - 4.75   |
| Trade and other payables                     | -         | -          | -        | 432      | 432   | -             |
| Short-term loan from related party           | -         | -          | 10       | -        | 10    | THBFIX + 0.50 |
| Long-term loans                              | 100       | -          | 75       | -        | 175   | BIBOR + 1     |
|  | 440       | -          | 975      | 432      | 1,847 |               |

(Unit: Million Baht)

| As at 31 December 2013                       |           |            |          |          |       |                 |
|--|-----------|------------|----------|----------|-------|-----------------|
| Fixed interest rate                          |           |            |          |          |       |                 |
|  | More than | Floating   | Non-     |          |       |                 |
|  | one year  | interest   | interest |          |       |                 |
|  | Within    | but within | interest | interest |       |                 |
|  | one year  | four years | rate     | bearing  | Total | Interest rate   |
|  |           |            |          |          |       | (% p.a.)        |
| <b>Financial assets</b>                      |           |            |          |          |       |                 |
| Cash and cash equivalents                    | 50        | -          | 181      | 3        | 234   | 0.10 - 2.50     |
| Trade and other receivables                  | -         | -          | -        | 1,011    | 1,011 | -               |
|  | 50        | -          | 181      | 1,014    | 1,245 |                 |
| <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   |
| Long-term loans                              | 117       | -          | 200      | -        | 317   | 5.45, BIBOR + 1 |
|  | 302       | -          | 1,306    | 401      | 2,009 |                 |

As at 31 December 2013, 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> | <u>Interest rate in the original loan agreement</u> | <u>Interest rate in the swap agreement</u> |
|----------------------|-----------------|------------------------|---|--|
|                      |                 | (Million Baht)         | (Percent per annum)                                 | (Percent per annum)                        |
| January 2009         | February 2014   | 2.14                   | 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>2014</u>                               | <u>2013</u> | <u>2014</u>                                    | <u>2013</u> | <u>2014</u>                                    | <u>2013</u> |
|                         | (Million)                                 | (Million)   | (Million)                                      | (Million)   | (Baht per 1 foreign currency unit)             |             |
| US dollars              | 2.2                                       | 2.0         | 0.9  | 0.3         | 32.9630  | 32.8136     |
| Euro                    | 0.2                                       | 0.3         | 0.1  | -           | 40.0530  | 45.0217     |

Forward exchange contracts outstanding as at 31 December 2013 are summarised below.

| <u>Foreign currency</u> | <u>Sold amount</u>                       |                                      | <u>Contractual exchange rate of sold amount</u> | <u>Contractual maturity date</u> |
|-------------------------|--|--------------------------------------|---|----------------------------------|
|                         | <u>Consolidated financial statements</u> | <u>Separate financial statements</u> |   |                                  |
|                         | (Million)                                | (Million)                            |   |                                  |
| US dollars              | 0.7                                      | 0.2                                  | 31.24 - 31.63                                   | In March 2014                    |
| Euro                    | 0.1                                      | -                                    | 41.20   | In June 2014                     |

## **32.2 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.

## **33. 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 2014, the Group's debt-to-equity ratio was 0.66:1 (2013: 0.81:1) and the Company's was 0.24:1 (2013: 0.32:1).

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

On 25 February 2015, the meeting of the Company's Board of Directors passed a resolution to propose the payment of dividend in respect of 2014 earnings of Baht 0.20 per share, or a total of Baht 164 million.

On 24 February 2015, the meeting of the subsidiary's Board of Directors passed a resolution to propose the payment of dividend in respect of October to December 2014 earnings of Baht 0.15 per share, or a total of Baht 49 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.

## **35. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2015.