



บริษัท ล้าสูง (ประเทศไทย) จำกัด (มหาชน)
Lam Soon (Thailand) Public Company Limited



ANNUAL REPORT 2016

RESPONSIBILITY / QUALITY / HEALTHY / WELLNESS



ANNUAL REPORT 2016 OF LAM SOON (THAILAND) PLC.

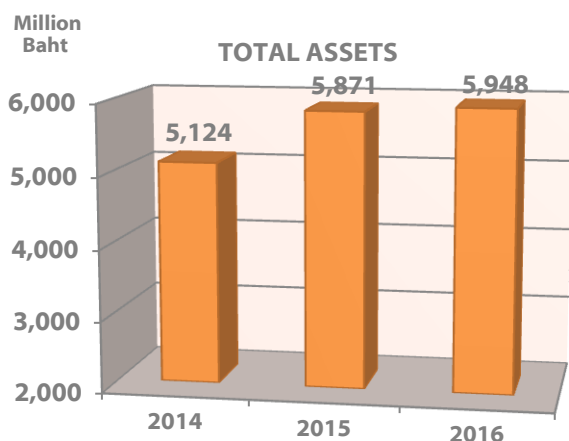
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**Investors can study more information of the Company from
the Annual Registration Statement (FORM 56-1) published on
www.sec.or.th or www.lamsoon.co.th**

FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : million Baht)

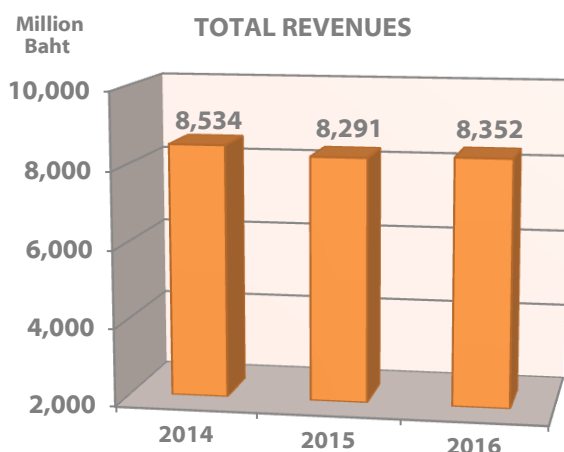
| | 2014 | 2015 | 2016 |
|---|-------|-------|-------|
| Total Assets | 5,124 | 5,871 | 5,948 |
| Total Liabilities | 2,030 | 2,648 | 2,455 |
| Shareholders' Equity | 3,094 | 3,223 | 3,492 |
| Sales | 8,435 | 8,197 | 8,267 |
| Total Revenues | 8,534 | 8,291 | 8,352 |
| Gross Profit | 1,360 | 1,276 | 1,283 |
| Net Profit of equity holders of the Company | 381 | 311 | 331 |



Total assets increased by 1.3 % mainly because:-

- 1) Cash and cash equivalents at Group level decreased by 59.6 million Baht or 12.41% to 420.4 million Baht.
- 2) Trade and others receivables decreased by 240.5 million Baht to 911.8 million Baht.
- 3) Inventory increased by 298.5 million Baht, caused by higher volume and price of raw material inventories.
- 4) Biological assets increased by 61.3 million Baht.

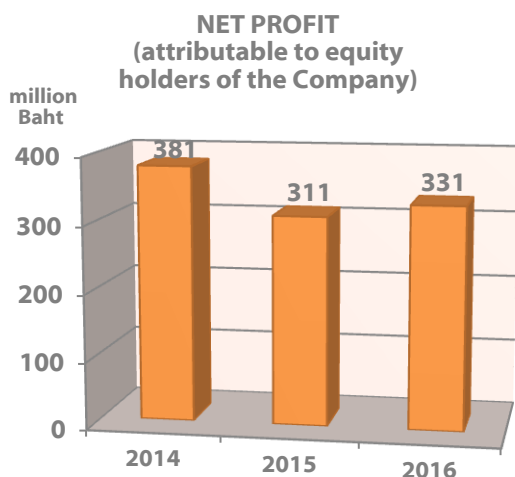
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Total revenues increased by 60.8 million Baht from:-

- 1) Sales of the Company itself decreased by 175.8 million Baht or 2.8%.
- 2) At its subsidiaries, sales increased by 246.2 million Baht or 13.2%.

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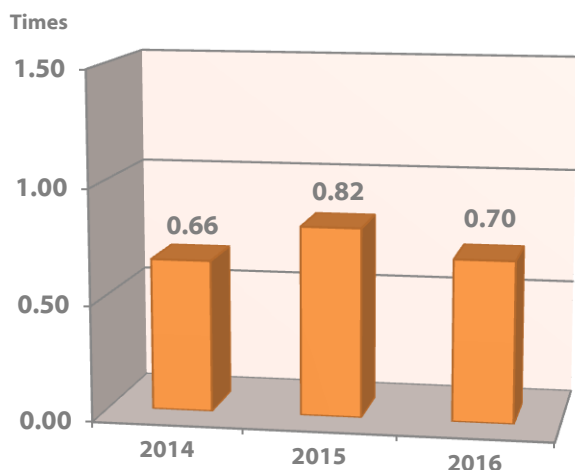


Net profit (attributable to equity holders of the Company) increased by 19.2 million Baht or 6.2%, with higher net profit margin of 3.96%.

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FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

TOTAL DEBT TO EQUITY RATIO

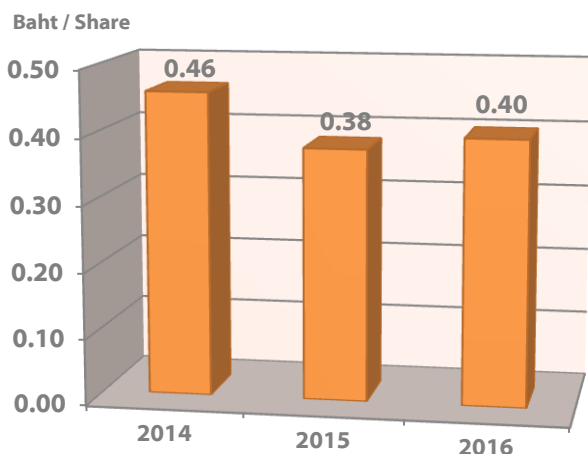


***Total debt to equity ratio** decreased to 0.70 times in 2016 (2015 : 0.82times).*

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EARNINGS PER SHARE

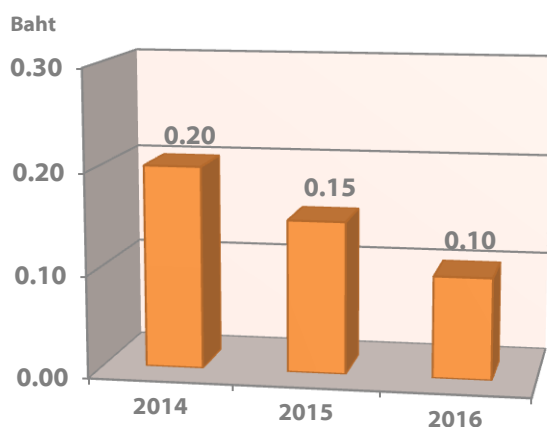


***Earnings per share**: increased from 0.38 to 0.40 Baht per share.*

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DIVIDEND PER SHARE



***Dividend per share** : Pursuant to the resolution of BOD meeting on 28 Feb 2017, dividend per share of 0.10 Baht is proposed to be paid for the financial year 2016, subject to approval at AGM no. 1/2017.*

This would represent a payout ratio of 59.4% of net profit, in accordance with the Company's policy of paying not less than 40% of its net profit after tax as dividend.

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FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

FINANCIAL RATIOS

(Unit : %)

| | 2014 | 2015 | 2016 |
|---|-------|------|-------|
| Profit Margin Contributable to Equity holders | 4.46 | 3.76 | 3.96 |
| Return on Equity (Average) | 14.76 | 9.79 | 10.57 |
| Return on Total Assets (Average) | 8.53 | 5.63 | 6.01 |

PER SHARE DATA

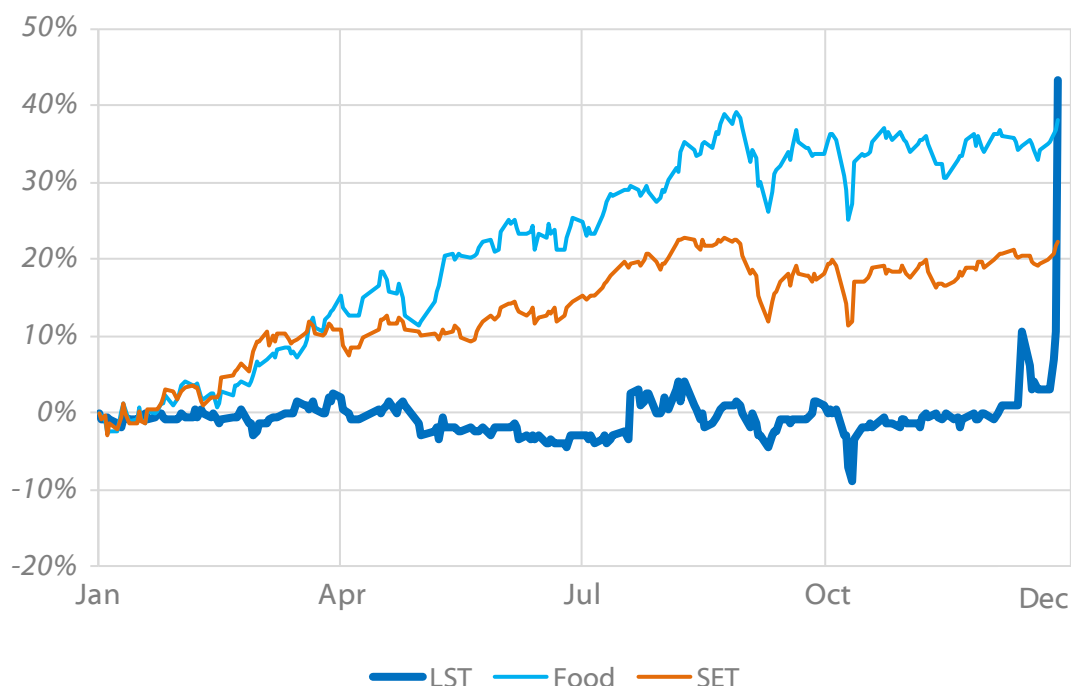
(Unit : Baht)

| | 2014 | 2015 | 2016 |
|---------------------------------------|----------------------|----------------------|----------------------|
| Earnings per Share | 0.46 | 0.38 | 0.40 |
| Dividend Paid per Share | 0.20 | 0.20 | 0.15 |
| Dividend per Share (operational year) | 0.20 | 0.15 | 0.10 ⁽ⁱ⁾ |
| Book Value per Share | 3.38 ⁽ⁱⁱ⁾ | 3.43 ⁽ⁱⁱ⁾ | 3.45 ⁽ⁱⁱ⁾ |

Notes : ⁽ⁱ⁾ According to the resolution of BOD meeting on 28 February 2017, to be proposed to AGM no.1/2017

⁽ⁱⁱ⁾ Based on the Company only

2016 STOCK PRICE PERFORMANCE





2016 Overview

In 2016 the global supply of FFB and CPO fell by more than 10% due to severe drought caused by the El Nino phenomenon in 2015. This in turn caused a dramatic increase in CPO price worldwide. Such higher price was benchmarked for Malaysia to raise its tax on CPO exports from zero to 6.00 – 6.50%, ending a duty-free policy held since May 2015.

In Thailand, the lower FFB output sustained the price of CPO, the major raw material of your Company, at the high level throughout the year. The average price of CPO in 2016 was 31.95 Baht/Kg. (2015 : 27.33 Baht/Kg.), enlarging the price difference as high as 9 Baht/Kg. when compared with CPO price in global market. Meanwhile, the maximum retail selling price of palm olein below 5 liters packing is set by the Internal Trade Department c/o the Ministry of Commerce at 42 Baht/Liter (VAT included). For this reason, your Company could not be able to adjust the selling price freely to align with the raw material cost. Although the refineries had proposed several times to the Internal Trade Department to exercise more flexibility in its price control mechanism, it has never been successful. Office of Central Commission on Prices of Goods and Services continued to issue the Notifications in approximately every 30 days to recommend the minimum purchase prices of Fresh Fruit Bunch (FFB) and Fresh Fruit Loose (FFL).



The Government preferred to manage CPO stock and CPO price in the Kingdom at optimal level. Accordingly, the Department of Energy Business c/o the Ministry of Energy announced 3 times to adjust the CPO blending into diesel. The first time mandates for biodiesel was lowered from B7 to B5, effective on July 25, to release more cooking palm oil for the food sector. Nonetheless, such reduction of blending mandate was not enough to stimulate significantly lower price of both FFB and CPO. In August therefore, the Ministry of Energy announced as the second time to further lower biodiesel blending mandate from B5 to B3, effective on August 25. These two reductions of CPO blending in biodiesel mandate had the effect of pushing down CPO price at late September to the range of 29-30 Baht/Kg. However, FFB output in November – December was forecast to increase progressively. In such a scenario, the Ministry of Energy announced as the third time to reinstate biodiesel mandate from B3 to B5, effective on November 25, pushing back CPO price to the range of 31 – 32 Baht/Kg. at the yearend (for more details please refer to the section “**Industry Overview and Competitiveness**”).

With CPO cost being maintained at high level, your Company’s operating result in 2016 was adversely affected because your Company was unable to effectively exercise inventory management, which is the crucial factor for the palm oil business.

Company’s Performance

In 2016, your Company recorded sales revenue at 6,153.5 million Baht, decreasing by 175.8 million Baht or 2.78% when compared with 2015 (2015 : 6,329.3 million Baht); gross profit at 486.5 million Baht decreasing by 168.7 million Baht (2015 : 655.3 million Baht). However, your Company received higher dividend from both subsidiaries in 2016. As a consequence, your Company recorded a net profit of 138.1 million Baht or a decrease of 32.45% (2015 : 204.4 million Baht).

United Palm Oil Industry Public Company Limited (UPOIC), a 69.96% subsidiary of the Company, recorded a net profit of 72.2 million Baht (2015 : 11.9 million Baht net loss) on revenue of 946.1 million Baht (2015 : 1,259.6 million Baht). FFB crops from its own plantations and concession lands fell by 21.6% from 2015.

The financial performance of Universal Food Public Company Limited (UFC), a 98.83% subsidiary of the Company, continued to improve. The sales revenue of 2,385.5 million Baht represents a 17.4% increase (2015 : 2,031.2 million Baht). The net profit from normal operation of 239.4 million Baht is 10.9% higher (2015 : 215.8 million Baht). This was driven by strong export sales growth of coconut water as well as new product development and marketing initiatives. However in 2016, UFC has taken up the investment impairment loss of 310 million Baht in the subsidiary company. Consequent to the downsizing of the business of the subsidiary, income was affected while ongoing interest charges needed to be paid continuously. To reduce the interest burden and losses, the subsidiary needed capital increase in order to pay the bank loans. Thus, UFC recorded net loss for 2016 at 70.6 million Baht.

Overall, the consolidated net profit increased from 311.4 million Baht in 2015 to 330.6 million Baht, or an increase of 6.15%.

Production and Investment

In 2016, your Company continues its mission by employing advance technology for oil packing lines automation. It completed the new refill packing line, bag in box packing line installation and ramp up to meet target efficiency.

Marketing

Your Company has constantly strengthened the leadership in oil & fat segment by extending the innovative product line of Balancing Oil “Yok Extra” brand to provide the suitable fat proportion intake for human health recommended by World Health Organization (WHO). In line with proposition of “Naturel” healthy cooking oil encouraging consumers to live a healthy life, your Company launched Rice Bran Oil Gold under “Naturel Forte” brand with highest 12,500 ppm oryzanol.

Furthermore, new sizing of “Naturel” 100% Canola Oil & “Naturel” 100% Coconut Oil are now available at 7-eleven convenience stores. Margarine & Shortening under “Zest” brand has been developed to deliver premium quality for all bakery menus with Trans Fat free.

In 2016, marketing communication and campaigns have been continuously implemented to promote healthy life concept via all media channels; TV commercial, radio, online, event & road show. Various campaigns have been launched to create awareness of “Good for Health” brand image of the Company.

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

Human Resources and Corporate Culture

Employees have been recognised as an important asset to drive forward the Company. We commit to support and maintain working environment enhancing their efficient contributions. Your Company engages in teamwork building and continuous improvement to ensure high performance of human resources as it is believed that the continuous development would strengthen their capability and competence, following an increase in efficiency of the operation and serving customer satisfaction along with building awareness of all staff on the professional ethic.

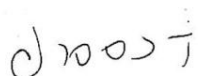
Furthermore, your Company treats equally to all staff without discrimination, and provides appropriate return and welfare, as well as respects the human rights principles according to the international basic standard and law including other relevant rules and regulation. Your Company also values the importance of the wellness and safety of life and assets, as well as good working environment aiming to be the “Best Place to Work” with 3 pillars namely Happy, Healthy and Harmony.

This is to create the Corporate Culture balancing in all aspects of efficiency, transparency, fairness and integrity which all staff is expected to strictly adhere with aim to achieve the goal of the organisation and individual level.

All mentioned above is for all employees as a major part to achieve the ultimate goal in accordance with vision and mission of the Company.

MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

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.



Art-ong Jumsai Na Ayudhya, Ph.D.
The Chairman



Ms. Anchalee Suebchantasiri
Managing Director

REPORT OF THE AUDIT COMMITTEE

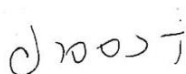
The Audit Committee comprised three independent directors as follows:

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

In 2016, 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 2016, 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 2016 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 2016 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 2017, 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 2017 annual general meeting of shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2017 including appropriate remuneration;
9. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles.

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



Art-ong Jumsai Na Ayudhya, Ph.D.
Chairman of the Audit Committee
28 February 2017

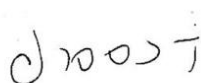
REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

The Audit Committee considered the operational performance of the Company during the year 2016 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, 2016.

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).



Art-ong Jumsai Na Ayudhya, Ph.D.
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 B 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:-

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

4. Disclosure and Transparency

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

- Disclosure of the following in Thai and English and updating of the information in the Company's website.
 - Corporate Governance Policy
 - Policy and Practice toward stakeholders
 - Environment Policy
 - Code of Business Conduct
 - Nature of Business
 - Business Structure
 - Shareholder Structure
 - Structure of the Board of Directors
 - Vision/Mission
 - Articles of Association
 - Annual Report
 - Form 56-1 (Thai version)
 - Financial Statements
 - Meeting notices and meeting documents
 - Minutes of the Shareholder Meetings
 - News published by the Company
- Submit periodically accurate, complete, and timely, information to the SET and the SEC such as Financial Statements, Form 56-1, Annual Report .
- News on important changes which may have material impact on securities prices according to the regulations of the SET.
- The Board of Directors assumes the responsibility for the financial statements and financial report which are signed by the Chairman of the Board and the Managing Director as disclosed in the Annual Report and Form 56-1. The financial statements are prepared in accordance with generally accepted accounting standards with appropriate accounting policies which are conformed to consistently. Information in the notes to the financial statements shall be audited by an independent external auditor and reviewed by the Audit Committee to ensure that sufficient disclosure is made.
- The Executive Directors shall be responsible for communicating with investors both individual and institutional, shareholders, analysts and relevant government sectors. Information can be requested from Tel: 02-361 8959-87 or Fax: 02-361 8988-9 or by email: company.secretary@lamsoon.co.th or through the Company's website.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

Mechanism for stakeholders to do whistle blowing or make complaints

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

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

By email: banchong_ch@yahoo.com
- 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. To appoint 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. To prepare and keep 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. To follow-up and ensure implementation of the resolutions of the board and shareholder meetings.
3. To keep 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 independent 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, joint venture 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
- 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, joint venture, or related companies.

5.1.9 Executives holding directorship in other companies

Executives may hold directorship or executive positions in subsidiary, affiliates, joint venture 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 can 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.

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4. To consider and advise the appointment of an independent person to work as the external auditors including the audit fee. The Audit Committee shall hold at least one meeting with the auditor without the management's presence at the meeting.
5. To consider compliance with all connected transactions or the conflict-of-interests transactions disclosures, to ensure that the transaction is justified and for the best benefit of the Company.
6. To report the activities of the Audit Committee in the Company's annual report, which must be signed by the chairman of the Audit Committee. The following information should be included in the report:
 - (6.1) Comments on the Company's financial reporting process and the disclosure of its financial information, which must be correct, sufficient, and credible.
 - (6.2) Comments on the adequacy of the Company's internal control systems.
 - (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 2016, 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 | 4/4 |
| (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 2016, 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 2016, the Nomination Committee held 1 meeting, with the attendance of each member shown as below:-

| Name | Position | Period of Directorship | Attendance / Total Meetings |
|--|---|------------------------|-----------------------------|
| (1) Datuk Simon Shim Kong Yip | Non Independent Non Executive Director and the Chairman of the Nomination Committee | 2014-2017 | 1/1 |
| (2) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Independent Director | 2014-2017 | 1/1 |
| (3) Mr. Banchong Chittchang | Independent Director | 2014-2017 | 1/1 |
| (4) Mr. Whang Shang Ying | Executive Director | 2014-2017 | 1/1 |

5.2.4 Risk Management Committee

The Board of Directors, on 11 August 2016, approved to formalise the Risk Management Committee with the below Duties and Responsibilities and following 5 members.

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| Name | Position | Service Period | Attendance / Total Meetings |
|---------------------------------|--|----------------|-----------------------------|
| (1) Ms. Anchalee Suebchantasiri | Managing Director and Chief Risk Officer | 2016-2019 | No meetings in 2016 |
| (2) Ms. Piyathida Sukchan | Executive Director | 2016-2019 | |
| (3) Ms. Jirasuda Sumpaotong | Finance and Accounting Manager | 2016-2019 | |
| (4) Mr. Suwat Praekulthan | Operations Manager | 2016-2019 | |
| (5) Mr. Virat Suwannarat | Human Resources Manager | 2016-2019 | |

The Risk Management Committee shall comprise a minimum of three (3) members who are appointed by the Board from non-executive Directors, senior management, together with the Managing Director. The term of office shall be 3 years. The Committee reports directly to the Board through Audit Committee review.

Duties and Responsibilities of the Risk Management Committee

1. To assist the Board in setting risk strategy policies, including annually agreeing risk tolerance and appetite levels, in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and integrated reporting.

2. To ensure that an appropriate policy and plan for a system of risk management is developed by management, approved by the Board and distributed throughout LST.

3. To annually review, assess the quality, integrity and effectiveness of the risk management plan and systems and ensure that the risk policies and strategies are effectively managed by management and that risks taken are within the agreed tolerance and appetite levels.

4. To review and assess the nature, role, responsibility and authority of the risk management function within LST and outline the scope of risk management work.

5. To ensure that LST has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the LST's appetite or tolerance for risk. A framework and process to anticipate unpredictable risks should also be implemented.

6. To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually.

7. To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that LST's objectives are attained.

8. To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level.

9. To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts.

10. To provide an independent and objective oversight and view of the information on corporate accountability and specifically associated risk, also proposing to the Audit Committee and then to the Board on all categories of identified risks facing LST.

11. To review the strategy, policies and risk tolerance and appetite recommended by management. The Committee will ensure compliance with such policies in accordance with the overall risk profile of LST. Risk in the widest sense, i.e. enterprise-wide risk, will be considered by the Committee.

12. To review management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken.

13. To address key risk areas and key performance indicators of LST, and monitor these factors as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control.

14. To assist the Board in its responsibility for disclosure in relation to risk management in the annual report, and acknowledgement that it is accountable for the risk management function.

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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.

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 2016, the Board of Directors held 4 regular meetings. The attendance of each member is as follows:

| Name | Period of Directorship | Attendance / Total Meetings | | |
|--|------------------------|-----------------------------|-------|-------|
| | | Regular | Extra | Total |
| (1) Art-ong Jumsai Na Ayudhya, Ph.D. | 2014-2017 | 4/4 | - | 4/4 |
| (2) Ms. Anchalee Suebchantasiri | 2015-2018 | 4/4 | - | 4/4 |
| (3) Assoc. Prof. Preecha Jarungidanan, Ph.D. | 2015-2018 | 4/4 | - | 4/4 |
| (4) Mr. Banchong Chittchang | 2014-2017 | 4/4 | - | 4/4 |
| (5) Lackana Leelayouthayotin, Ph.D. | 2016-2019 | 4/4 | - | 4/4 |
| (6) Datuk Simon Shim Kong Yip | 2014-2017 | 3/4 | - | 3/4 |
| (7) Mr. Whang Shang Ying | 2015-2018 | 4/4 | - | 4/4 |
| (8) Ms. Piyathida Sukchan | 2016-2019 | 4/4 | - | 4/4 |
| (9) Mr. Ampol Simarojana | 2016-2019 | 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 2016, 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.

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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 | 2015 | 2016 |
|--|----------------|-----------|-----------|
| Directors fees | 9 | 3,949,200 | 4,129,200 |
| Audit Committee fees | 3 | 1,202,400 | 1,236,000 |
| Remuneration Committee fees | 3 | 126,000 | 131,100 |
| Nomination Committee fees | 4 | 84,000 | 87,600 |

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

2) Remuneration of Executives

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

In 2016 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 | 2015 | | 2016 | |
|------------|---------------------|----------------|---------------------|----------------|
| | Remuneration (Baht) | No. of Persons | Remuneration (Baht) | No. of Persons |
| Executives | 104,637,873 | 12 | 72,911,964 | 10 |

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 | 2015 | | 2016 | |
|---|----------------|-----------|----------------|-----------|
| | No. of Persons | Baht | No. of Persons | Baht |
| As directors of subsidiaries | 5 | 2,270,400 | 4 | 2,270,400 |
| As executives of subsidiaries | 4 | 6,865,200 | 3 | 7,003,500 |

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 behaviour patterns which have been approved by the Board of Directors and announced to all directors, executives and employees. The Company has subsequently monitored the compliance to the code strictly and regularly.

5.8 Conflict of Interests

5.8.1 Prevention of use of inside information

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

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

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

5.8.2 Approval of transaction containing conflict of interest

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

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

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

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

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

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

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

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

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

5.9 Controlling System and Internal Audit

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

In 2016 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. The contract has a 2-year term of service with the following expiration on 31 December 2017.

5.10 Risk Management

The Board of Directors realised the importance of the Risk Management. Therefore, in 2016, the Board approved to formalise the Risk Management Committee comprising senior managements and Managing Director being the Chief Risk Officer. Duties and Responsibilities of the Risk Management Committee were presented in item 5.4.2. The Management 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 to the Board of Directors.

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. Ms. Jirasuda Sumpaotong act and make decision regarding the finance and accounting of the Company and its subsidiaries;
2. Mr. Suwat Praekulthan act and make decision regarding the factories of the Company and its subsidiaries;
3. 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 | : | www.lamsoon.co.th |
| Corporate Headquarters | : | 64 Soi Bangna-Trad 25, Bangna, Bangkok 10260 Tel 02-361 8959-87 Fax (Management Dept.) 02-361 8988-9 Fax (Sales Dept.) 02-361 8994-5 |
| Refinery Address | : | 236 Moo 4, Bangpoo Industrial Estate, Sukhumvit Road, Phraeksa Sub-District, Muang District, Samut Prakarn 10280 Tel 02-709 3610-24 Fax 02-324 0640 |
| Crushing Mill Address | : | 99/9 Moo 2, Sikao-Kuankun Road, Kalasae Sub- District, Sikao District, Trang 92150 Tel 075-267 275 Fax 075-267 028 |
| Nature of Business | : | Manufacturer and distributor of vegetable oil products, margarine and shortening |
| Registered Share Capital | : | 820,000,000 Baht |
| Outstanding shares (common shares) | : | 820,000,000 shares |
| Par value | : | 1 Baht |

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

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

| | | |
|--|---|--|
| Corporate Headquarters | : | 64 Fl.1, Soi Bangna-Trad 25, Bangna, Bangkok 10260 |
| | | Tel 02-744 1046-8 Fax 02-361 8989 |
| Krabi Office and Crushing Mill Address | : | 98 Moo 6, Nuaklong-Khao Phanom Road, Km.9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 |
| | | Tel 075-666 075 Fax 075-666 072 |
| Nature of Business | : | A plantation company producing crude palm oil and crude palm kernel oil |
| Registered Share Capital | : | 324,050,000 Baht |
| Outstanding shares (common shares) | : | 324,050,000 shares |
| Shareholding (common shares) | : | 226,715,110 shares or 69.96% |

2. Universal Food Public Company Limited (UFC)

| | | |
|------------------------------------|---|--|
| Corporate Headquarters | : | 60 Soi Bangna-Trad 25, Bangna, Bangkok 10260 |
| | | Tel 02-361 8954-7, 02-398 8555 Fax 02-744 0860-2 |
| Factory Address (1) | : | 64 K.M. 1, Moo 1, Lampang-Chiang Mai Road, Pongsaengthong Sub-District, Muang District, Lampang 52100 |
| | | Tel 054-810 270-4 Fax 054-810 275 |
| Factory Address (2) | : | 469/1 Bhapatone-Banpaew Road, Moo 3, Don-yai-hom Sub-District, Muang District, Nakhon Pathom 73000 |
| | | Tel 034-229 397-8 Fax 034-229 759 |
| Nature of Business | : | Fruit and vegetable processing; Manufacturer of beverages, sauces and seasonings for sale in both the domestic and export markets. |
| Registered Share Capital | : | 525,000,000 Baht |
| Issued and Paid-up Share Capital | : | 525,000,000 Baht |
| Outstanding shares (common shares) | : | 52,500,000 shares |
| Shareholding (common shares) | : | 51,884,457 shares or 98.83% |

Other references

1. Register

Name : Thailand Securities Depository Co., Ltd.
Address : 93 The Stock Exchange of Thailand Building,
Ratchadapisek Road, Dindaeng, Dindaeng,
Bangkok 10400

Tel 02-009 9000
Fax 02-009 9991

2. Auditor

Name : Ms. Kamontip Lertwitworatep
Certified Public Accountant No. 4377
Address : EY Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klongtoey, Bangkok 10110

Tel 02-264 0777, 02-661 9190
Fax 02-264 0789-90, 02-661 9192

No. of years being the Company's Auditor : 4
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

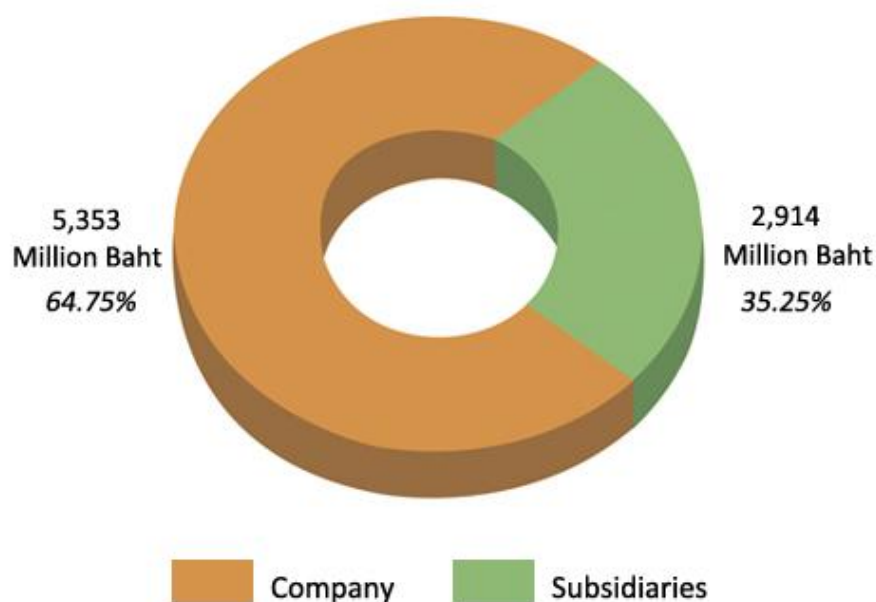
Items 4, 5 and 6 are manufactured by its subsidiary, Universal Food Public Company Limited (UFC).



NATURE OF BUSINESS

Revenue structure

| | 2014 | | 2015 | | 2016 | |
|--------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | Mil. Baht | % | Mil. Baht | % | Mil. Baht | % |
| LST | 6,097.85 | 72.29 | 5,558.62 | 67.74 | 5,353.34 | 64.75 |
| Subsidiaries | 2,336.97 | 27.71 | 2,644.36 | 32.26 | 2,914.09 | 35.25 |
| Total | 8,434.82 | 100.00 | 8,196.98 | 100.00 | 8,267.43 | 100.00 |



| Product/Services by Group | Operated by | 2014 | | 2015 | | 2016 | |
|----------------------------------|-----------------|--------------|-------|--------------|-------|--------------|-------|
| | | Mil. Baht | % | Mil. Baht | % | Mil. Baht | % |
| Crude Palm Oil | LST and UPOIC | 410 | 4.86 | 456 | 5.56 | 406 | 4.92 |
| Other Vegetable oil | | 5,047 | 59.63 | 4,481 | 54.66 | 4,300 | 52.01 |
| Margarine and Shortening | LST | 604 | 7.16 | 585 | 7.13 | 624 | 7.54 |
| Other palm based products | LST and UPOIC | 409 | 4.85 | 516 | 6.30 | 440 | 5.33 |
| Selling Electricity power to PEA | LST and UPOIC | 27 | 0.32 | 25 | 0.31 | 13 | 0.15 |
| Beverages | UFC and LST (i) | 855 | 10.13 | 1,204 | 14.69 | 1,420 | 17.18 |
| Fruits and Vegetables | | 971 | 11.52 | 821 | 10.01 | 953 | 11.53 |
| Sauces and Seasonings and others | | 111 | 1.33 | 110 | 1.34 | 111 | 1.34 |
| Total Sales - Net | | 8,435 | | 8,197 | | 8,267 | |

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

News Highlights of previous year

1. The Risk Management Committee: The formalisation of the Risk Management Committee

On 11 August 2016, the Board of Directors approved to formalise the Risk Management Committee with the following members.

| Name | Position | Service Period | Attendance / Total Meetings |
|---------------------------------|--|----------------|-----------------------------|
| (1) Ms. Anchalee Suebchantasiri | Managing Director and Chief Risk Officer | 2016-2019 | No meetings in 2016 |
| (2) Ms. Piyathida Sukchan | Executive Director | 2016-2019 | |
| (3) Ms. Jirasuda Sumpaotong | Finance and Accounting Manager | 2016-2019 | |
| (4) Mr. Suwat Praekulthan | Operations Manager | 2016-2019 | |
| (5) Mr. Virat Suwannarat | Human Resources Manager | 2016-2019 | |

The Risk Management Committee shall comprise a minimum of three (3) members who are appointed by the Board from non-executive Directors, senior management, together with the CEO. The term of office shall be 3 years. The Committee reports directly to the Board through Audit Committee review.

2. Board of Directors :The changing the directorship status of Datuk Simon Shim Kong Yip

On 12 May 2016, the Board of Directors approved the re-designation of Datuk Simon Shim Kong Yip from the position of Independent Non-Executive Director to that of Non-Independent Non-Executive Director with immediate effect. However, his position of Chairman of Nomination Committee remains unchanged. The Board therefore would have 4 independent directors instead of 5. The substance of Board composition has been no change.

3. Production and Investment : New packing lines for improved productivity

- Investment of 400 million Baht to improve the productivity of packing line. The second phase (160 million Baht) was on production in Q3/2016. The last phase is targeted to be completed in Q1/2017.

- The new refill packing machine started in August 2016. The latest automation technology horizontal form side seal for refill bag 1 Litter will improve product quality.

- The new bag in box machine started on November 2016. The development of Bag in Box machine for continuous production from feeding film to case packing fully automation.



for more information

4. Marketing : New product launches

"Naturel" Cooking Oil's packaging has been refreshed and modernised. "Naturel" healthy cooking oil encourages consumers to live healthy life. Accordingly, your Company extended the product range with the launch of :-

- 100% coconut cooking oil
- 100% sunflower seed oil
- 100% canola oil in 500 ml. size
- 100% coconut oil in 500 ml size are now available at 7-Eleven convenient stores



for more information

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 2016 ranged between 29.02 – 37.49 Baht/Kg (2015 : 21.50 – 36.39 Baht/Kg). The average price in 2016 was 31.95 Baht/Kg, increasing by 16.90% from 2015, compared with the average price in global market at 22.72 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.

In 2016 Office of Central Commission on Prices of Goods and Services continued to issue the Notifications in approximately every 30 days to recommend the minimum purchase prices of Fresh Fruit Bunch (FFB) and Fresh Fruit Loose (FFL).

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 could 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, on 4 September 2016, the Sub-Committee of Oil Palm announced the 20-year Roadmap for Thai Oil Palm and Palm Oil Industry Development (2016 – 2036) which expected that all kinds of intervention in oil palm and palm oil markets will be terminated within 2022 including to abandon the price control of bottled palm olein from the current level at 42 Baht/Liter.

The Cabinet on 21 January 2013 approved the Commerce Ministry's proposal to add FFB to the price control list to protect farmers and consumers 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.

Figure 1 : Highlights by Quarter

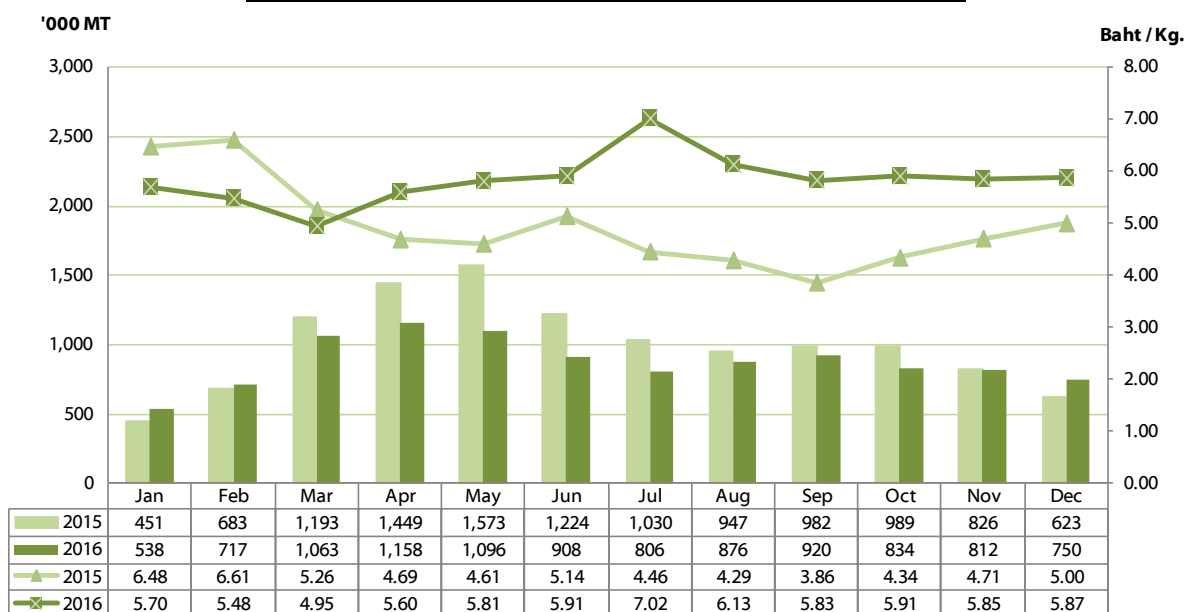
| 2016 | Production (MT.) | | Price (Baht/Kg.) | | Highlights |
|-------|-----------------------------------|---------------------------------|------------------------|--------------------------|--|
| | FFB | CPO | FFB (OER 18%) | CPO | |
| Q1 | 2,318,276 (Q1/15 : 2,326,485) | 392,005 (Q1/15 : 363,059) | 5.38 (Q1/15 : 6.12) | 29.58 (Q1/15 : 33.46) | CPO stock in March was at the lowest level, 195,006 MT. The market expressed the concern that El Nino's dry weather effects would reduce global output by 2 – 3 million MT. |
| Q2 | 3,161,912 (Q2/15 : 4,245,500) | 504,655 (Q2/15 : 713,767) | 5.77 (Q2/15 : 4.81) | 33.90 (Q2/15 : 26.58) | FFB output in the Kingdom was much less than Q2/15 caused by El Nino's dry weather effects. The FFB and CPO prices then increased. Malaysia implemented a CPO export tax w.e.f. April 2016, ending a duty free policy held since May 2015. |
| Q3 | 2,601,645 (Q3/15 : 2,958,550) | 476,368 (Q3/15 : 533,100) | 6.32 (Q3/15 : 4.20) | 34.18 (Q3/15 : 24.34) | Both FFB and CPO prices increased continuously. CPO price in the Kingdom had hit its peak at 38 Baht/Kg. at the end of July, resulting in the price gap from the global market as high as 11-12 Baht/Kg. The Ministry of Energy announced 2 times to lower mandate for biodiesel i.e. from B7 to B5, effective on 25 July, and from B5 to B3, effective on 25 August. |
| Q4 | 2,395,999 (Q4/15 : 2,437,940) | 431,421 (Q4/15 : 458,548) | 5.88 (Q4/15 : 4.68) | 30.14 (Q4/15 : 24.96) | FFB price did not drop much whereas CPO price getting softer. Then the Ministry of Energy announced to increase mandate for biodiesel from B3 to B5, effective on 25 November. Low palm oil stock level in Malaysia significantly pushed up the global palm oil price. |
| Total | 10,477,832 (2015 : 11,968,475) | 1,804,449 (2015 : 2,068,475) | 5.84 (2015 : 4.95) | 31.95 (2015 : 27.33) | |

Source: Figures from Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

The oil palm harvesting areas has been continuously extended to around 4.6 million rai, an increase of 7% from 4.3million rai in 2015. Nowadays, oil palm is planted even in the Northern provinces of Chiang Rai, Lei, and Phitsanulok; in the North East provinces around Khong River – Nongkai, Buengkan, and Nakorn Panom, etc. This was because the suitable land for expansion in Southern and Eastern parts is limited and commands very high price. In spite of this, the volume of FFB produced in 2016 overall was only 10 million MT, decreasing from 12 million MT obtained in 2015, caused by El Nino’s dry weather since 2014 lasting until 2015. As a result, yield per rai in 2016 dropped by 13% to 2,436 Kg. (2015 : 2,803 Kg.) The FFB output hit its lowest at around 0.5 million MT in January and reached a monthly peak of 1.16 million MT in April. The annual average FFB price was at 5.84 Baht/Kg. with the lowest monthly average at 4.95 Baht/Kg. in March and highest at 7.02 Baht/Kg. in July. Noticeably unlike the past whereby the lowest price level was normally found during Q2 of each year caused by the peak season, pattern of price movement in 2015 and 2016 was quite different.

Figure 2 : Monthly FFB Output and FFB Price (OER 18%)



Source: Internal Trade Department

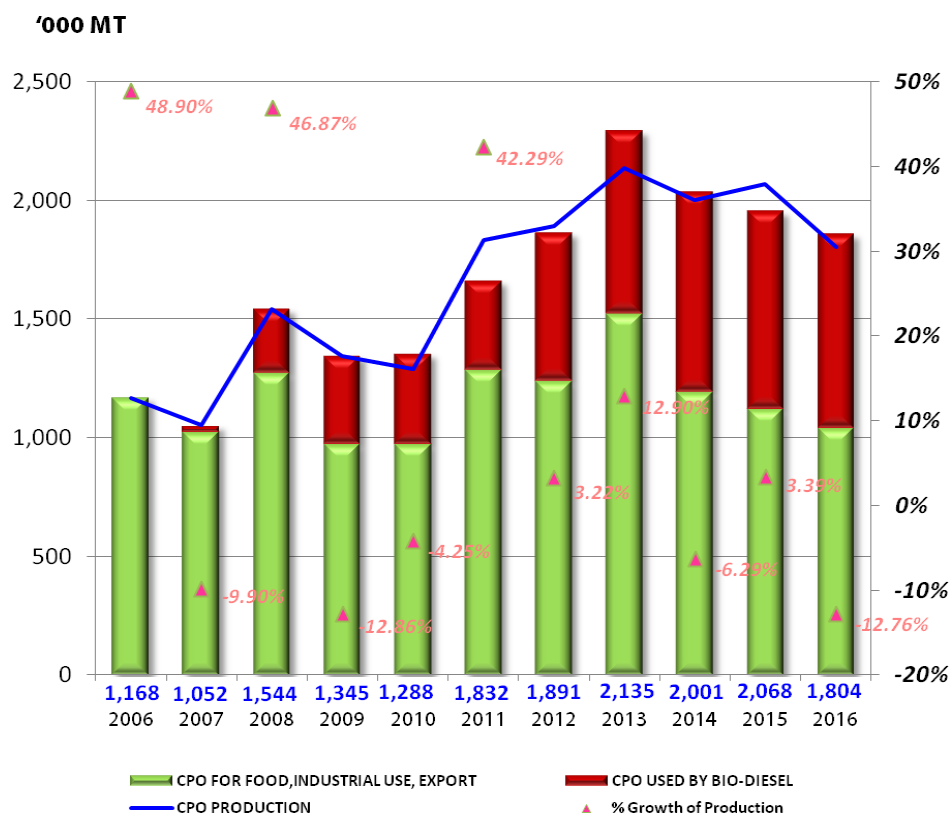
Total CPO production in the Kingdom in 2016 was 1,804,449 MT (2015 : 2,068,475 MT) shared by :-
 1) consumption demand at 987,803 MT., decreasing by 6.22% from 1,053,329 MT in 2015 mainly due to comparable low price of other types of cooking oil used as substitute.
 2) demand to produce Bio-diesel at 815,956 MT., decreasing by 2.07% from 833,223 MT in 2015.

Since the mid-year, the Ministry of Energy announced to adjust mandate for biodiesel 3 times to balance the stock and price of CPO at the optimal level.

- 1) from B7 to B5, effective on 25 July until 24 August 2016
- 2) from B5 to B3, effective on 25 August until 24 November 2016
- 3) from B3 to B5, effective on 25 November 2016

As a consequence, palm oil blending in Bio- diesel was lowered to balance pricing between palm oil consumption and Bio-diesel usage.

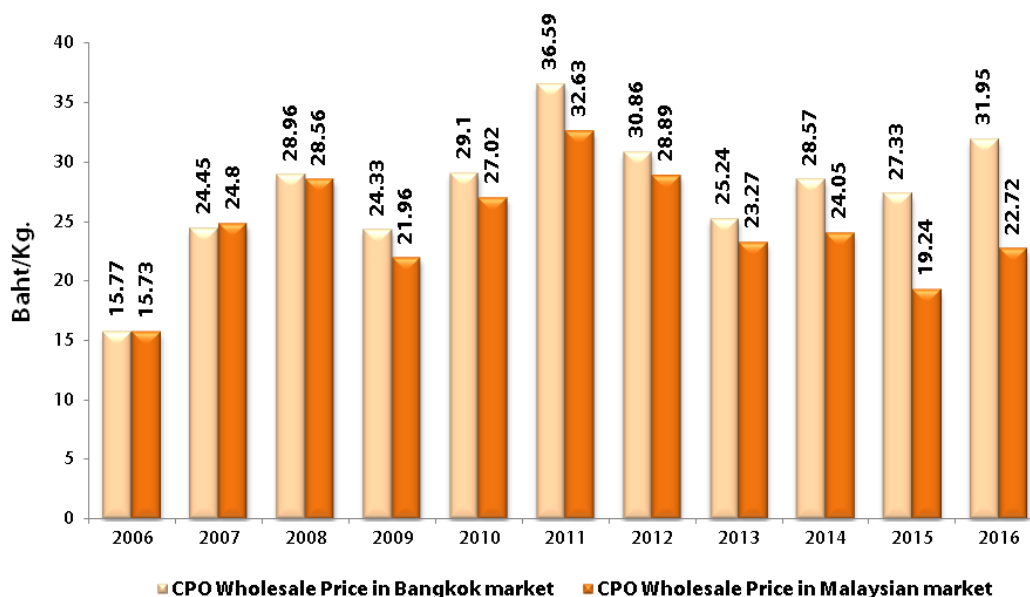
Figure 3 : CPO Production in Thailand



Source : Internal Trade Department

Monthly CPO price in the Kingdom in 2016 varied between 29.02 – 37.49 Baht/Kg (2015 : 21.50 – 36.39 Baht/Kg). The annual average CPO price was 31.95 Baht/Kg. (2015 : 27.33 Baht/Kg.), the highest average level in 5 years. CPO price in the Kingdom had hit its peak at 38 Baht/Kg. at the end of July, resulting in the price gap from the global market as high as 11 - 12 Baht/Kg. The Ministry of Energy then announced 2 times to lower mandate for biodiesel as mentioned above. Those two announcements continuously pulled CPO price down during the end of September to 29 – 30 Baht/Kg. Later when FFB output was forecast to increase in November – December, the Ministry announced to increase from B3 to B5, effective on 25 November 2016, pushing up CPO price back to around 31 – 32 Baht/Kg. at the year-end.

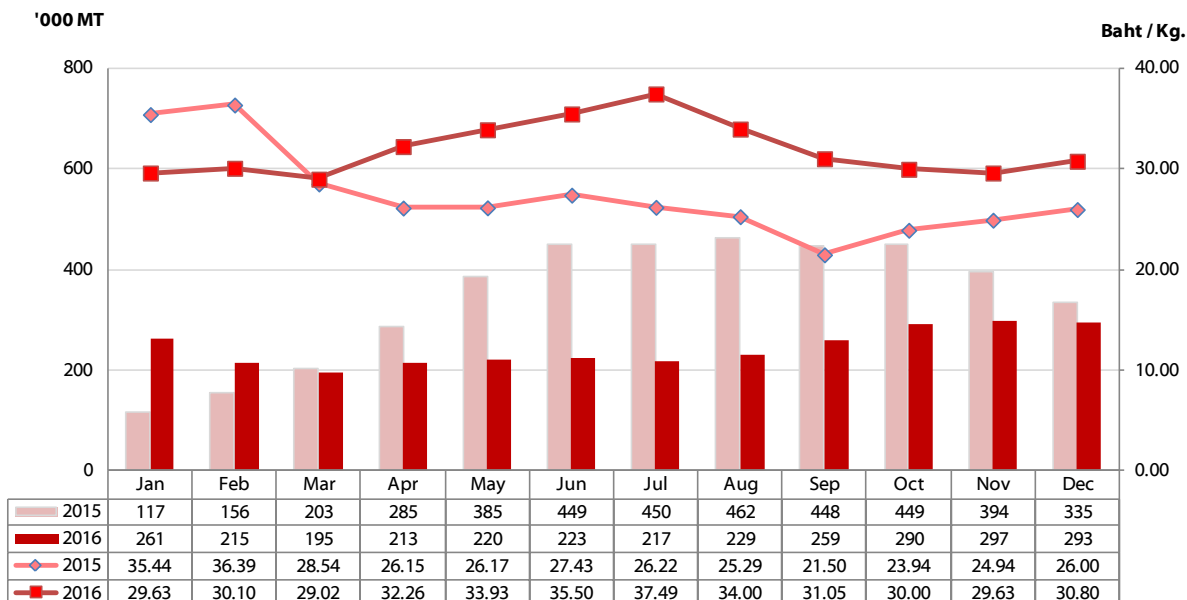
Figure 4 : Comparison of CPO Wholesale Price Between Bangkok and Malaysian Market



Source : Internal Trade Department

Because of the CPO price premium, export was not viable, leading to accumulated palm oil stock in the country sometimes and opening the way for cheaper palm oil to be smuggled into the Kingdom. The CPO stock at the end of 2016 was 293,467 MT, compared with 334,692 MT at the end of 2015.

Figure 5 : CPO Stock Equivalent and CPO Price Movement

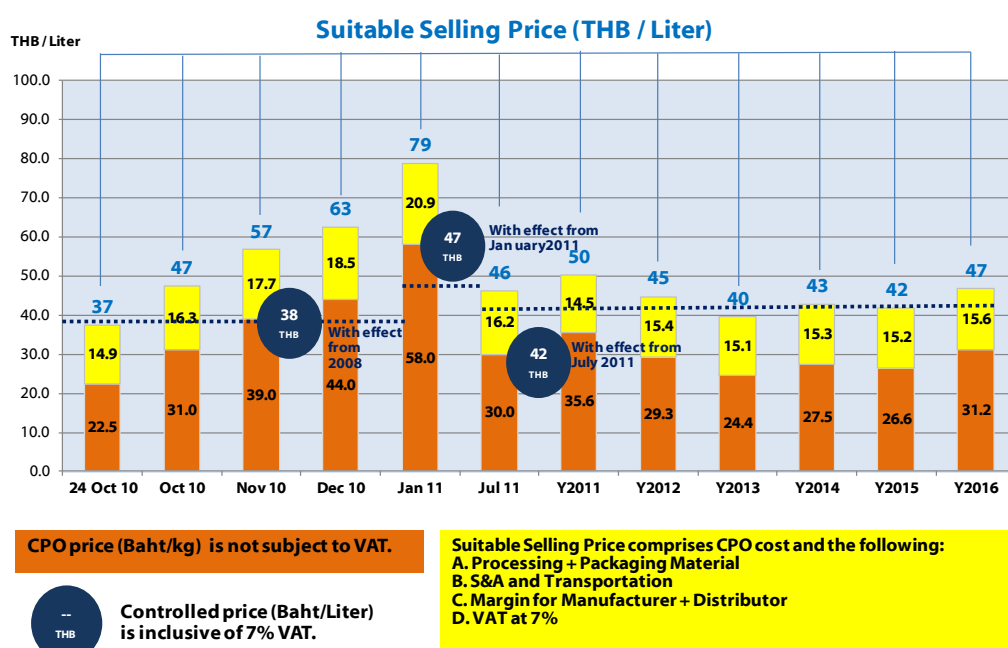


Source : Internal Trade Department

Summary of key events

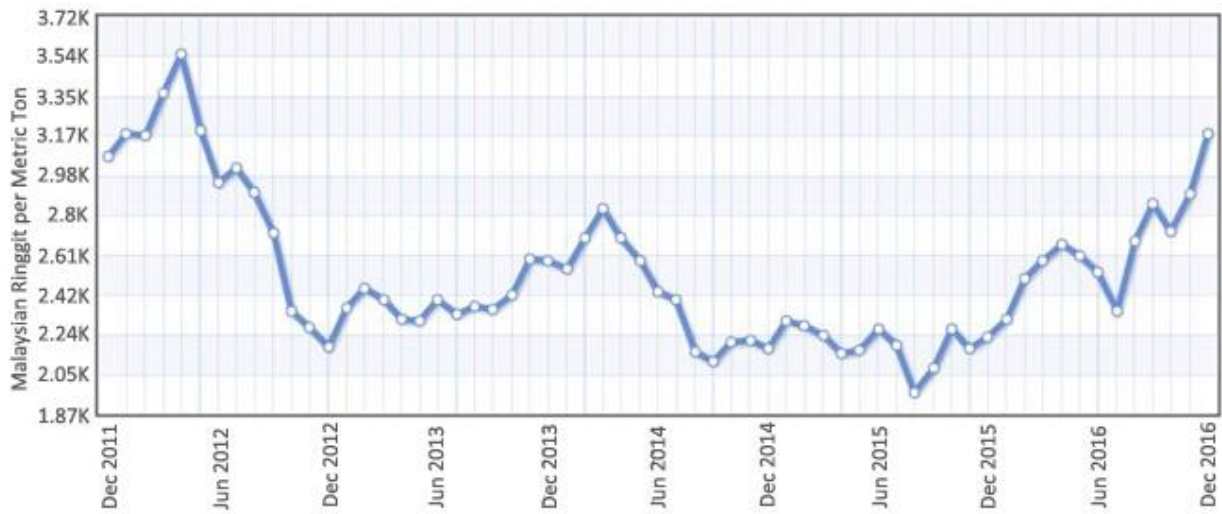
- (1) At present, bottled palm olein is still subject to price control by the Internal Trade Department, especially bottled oil below 5 liters. As such the selling price could not be adjusted freely to align with the high volatility of raw material cost. As explained earlier, in 2016 monthly average CPO price maintained at high level with the annual average price at 31.95 Baht/Kg., the highest average level in 5 years, while the ceiling of retail selling price capped at 42 Baht/liter (VAT included) was not enough to cover such high CPO cost, affecting the operating results of the business.

Figure 6 : Retail Price Structure of 1-Liter Bottled Palm Cooking Oil



- (2) On 4 September 2016, the Sub-Committee of Oil Palm announced the 20-year Roadmap for Thai Oil Palm and Palm Oil Industry Development (2016 – 2036) which would be proposed later to the Thailand Oil Palm Board (TOPB). The Roadmap targets to revolutionise the palm oil industry and enhance the overall efficiency together with emphasising the improvement of farmers' quality of life. Under the plan, it aims to accomplish the 6 main objectives including production, innovation, standard, energy, marketing, and management. Particularly the production side, by 2036 Thai farmers will be encouraged to increase yield to 3.25 – 3.50 MT. per rai and oil palm plantation area is targeted to expand from 4.81 – 5.23 million rai to be 6.06 – 7.23 million rai. Furthermore, it aims to reduce production cost by improving Oil Extraction Rate (O.E.R.) from 18% to 22% within 2021. For the innovation, the Oleochemical industry will be more developed. For the energy, it encourages the use of palm oil for the production of Bio-diesel mandated B10 within 2026 and B20 within 2036. In addition, all kinds of intervention in oil palm and palm oil markets will be terminated within 2022 including to abandon the price control of bottled palm olein from the current level at 42 Baht/Liter.
- (3) Average CPO price in global market as benchmarked by the Bursa Malaysia Derivatives : 3rd Month price at 2,630 RM/MT was 17.67% higher than in 2015 which was 2,235 RM/MT. The price hit its peak level on 15 December 2016 at 3,182 RM/MT caused by concern over the global output of FFB and CPO dropped more than 10% from previous year due to El Nino's dry weather in 2015.

Figure 7 : Malaysian Palm oil Monthly Price



Source: <http://www.indexmundi.com>

- (4) The palm oil stock in both Indonesia and Malaysia was extremely low. At the end of 2016, Malaysian palm oil stock dropped to only 1.6 million MT due to low production but continuously high demand from China and India.

Figure 8 : Malaysia Palm Oil Stock

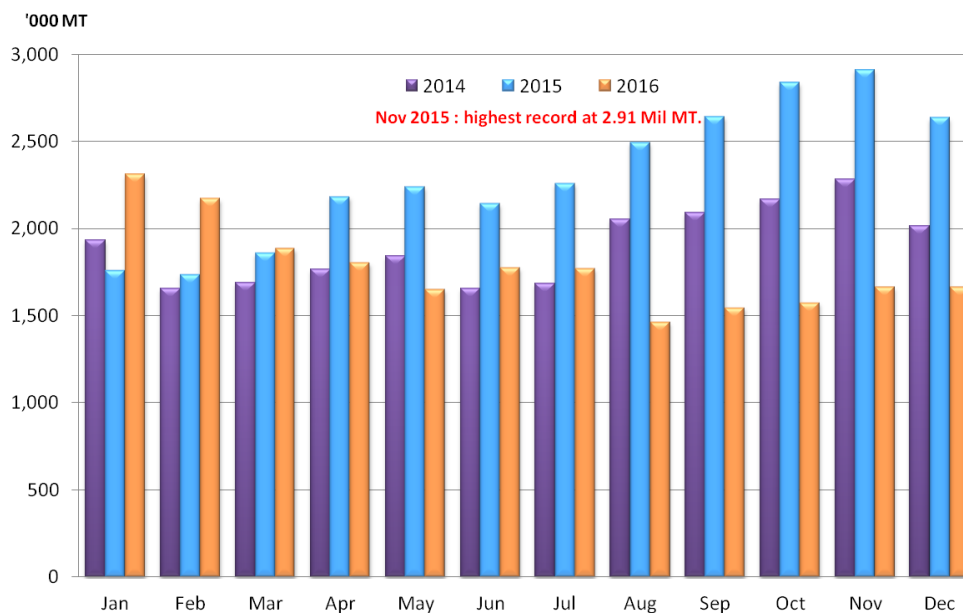
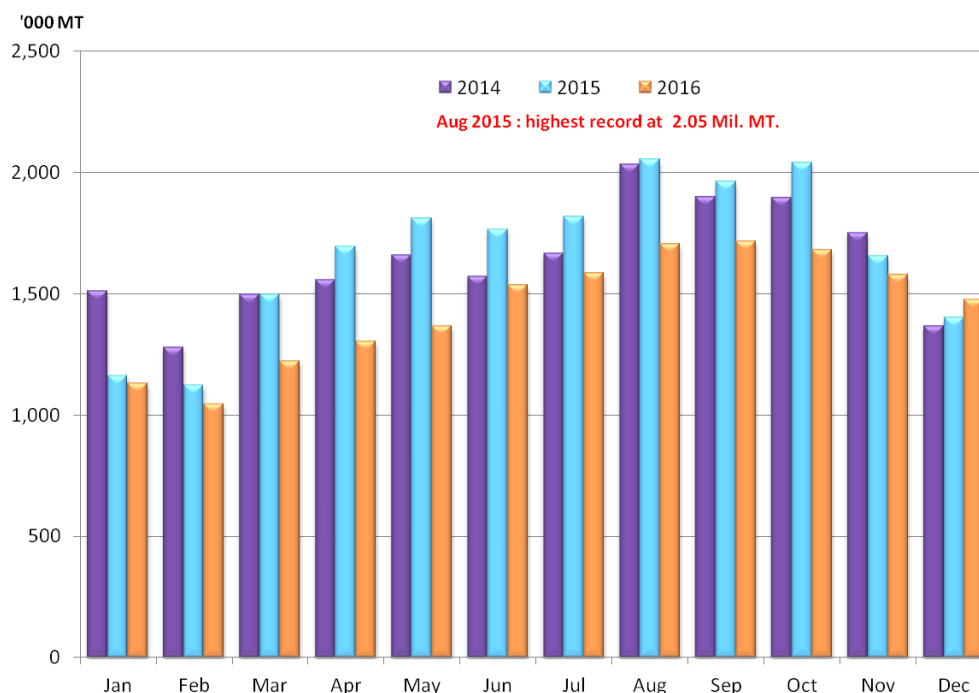


Figure 9 : Malaysia CPO Production



Source: Malaysian Palm Oil Board

Processing capacity

1. Crushing mills : The number of CPO crushing mills has increased from 91 in 2013 to about 136 mills at present, giving rise to a current total milling capacity of over 30 million MT of FFB per year. This is significantly higher than the FFB output recorded in 2016 at about 10 million MT; capacity utilisation rate of crushing mills was below 50%. Because 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 17 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 become intense in recent years as the new players apply price strategy in an attempt to gain 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.

Production and Price Outlook for 2017

The annual planting area in the Kingdom is expanding by an average of about 0.3 million rai. These areas have been converted from other crops land especially from para rubber plantation which affected by the long term low price. Additional areas from encroaching on forests or reserved lands are very restricted due to the State Government policy. This factor should have increased FFB output year on year; however, influences from changing climatic phenomenal in two-year backward would significantly confine overall oil palm yield in current year. Achievement of 13 million MT FFB with CPO production back to approximately 2.2 million MT is expected in 2017, after low FFB output recorded in 2016 adversely affected by El Nino's dry weather.

The United States Department of Agriculture (USDA) forecasted the global output of CPO in 2017 would be at 64.50 million MT, increasing from 58.84 million MT in 2016 or 9.62% because both major producers namely Indonesia and Malaysia expands their plantations to support an increase of market demand together with the weather turning back to normal condition and more rainfall caused by La Nina phenomenon.

In terms of demand, the local edible consumption in 2017 is estimated at 1 million MT, increasing from 987,803 MT in 2016; and the usage from Bio-diesel will be at 1 million MT as well but mainly depending on petroleum price, local CPO price, and CPO stock in nationwide. In case the price of petroleum does not exceed 60 USD/barrel in 2017, it is likely that 6.5% mixture will be implemented for the whole year. If so, the demand for CPO to produce Bio-diesel will be around 800,000 MT.

Overall, it is expected that in 2017 big difference between the local CPO price and the lower global price will remain high at around 5 - 6 Baht/Kg. on average. Assuming petroleum price at 60 USD/barrel maximum, local CPO price might be ranging around 27 - 28 Baht/Kg and FFB price at 4.50 - 5.00 Baht/Kg. Whereas the global CPO price in 2017 is estimated at around 2,500 RM/MT, decreasing from 2016 by 5%.

Business Overview

1. Product Highlights

1.1 Cooking Oil

“Yok” strengthened the leadership in cooking oil segment by extending the product line of Balancing Oil “Yok Extra” Brand to provide the best fat proportion for human health as recommended by the World Health Organization (WHO). Furthermore, the packaging has been modernized. One oil for all cooking applications i.e. deep fry, stir fry and also for salad dressing, and a good choice for the health conscious consumer.

“Naturel” consolidated its leadership in the healthy cooking oil segment by launching “Naturel Forte” Rice Bran Oil Gold. With 12,500 ppm oryzanol, it provides anti-oxidant benefit five times better than vitamin E, increases HDL and decreases LDL, helps to reduce heart disease and balances hormone for post-menopausal women for good health.



“Naturel” 100% Canola Oil and 100% Coconut oil are now available in 7-11 convenience stores in Thailand at a friendly price, in 500 ml. pack size.

1.2 Margarine and Shortening

Thailand’s bakery business has been growing continuously, and Lam Soon (Thailand) PCL. has been regularly organizing bakery seminar tournament. The grand opening took place in Bangkok before rolling out to other main provinces to inspire bakers to create new bakery value added products by margarine and shortening under “Zest” brand.



1.3 Beverages and Packed fruits and vegetables

Despite the weak economy in Thailand and uncertainties in the international markets, UFC continues to achieve profitable growth, driven primarily by coconut water.

“UFC Refresh” 100% coconut water is now the No.1 brand in both Singapore and New Zealand. USA remains the biggest market for contract manufacturing business of our coconut water.

Three new variants of “UFC Refresh” Coconut Water - with fresh water melon juice, Thai lime juice and matcha green tea - were launched in 2016. This created more visibility and excitement to our brand besides increased shelf facings in the retail outlets.

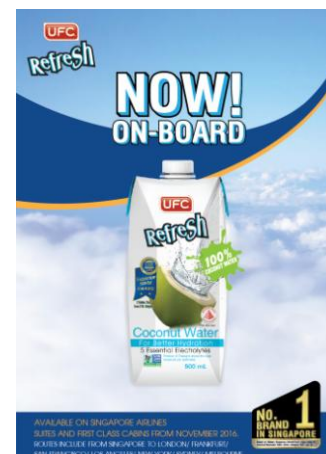


MANAGEMENT DISCUSSION AND ANALYSIS

From November 2016, "UFC Refresh" 100% Coconut Water is being served to Suites and First Class passengers on board Singapore Airlines. This is a strong endorsement of the quality of the "UFC Refresh" brand.

In July 2016, UFC launched the new "Chooze" premium fruit juice with 2 variants: Watermelon with Aloe Vera juice, and Passion Fruit with Aloe Vera juice. Both products are made from freshly squeezed fruits at UFC's plant in Nakhon Pathom province. The initial consumer response has been encouraging.

In Q4, three variants of "Homesoy" soy milk namely original flavor, soy milk with ginger and soy milk with ginger and basil seed were launched in 180 ml aluminum cans. This new pack-type opens up new distribution opportunities for "Homesoy" to be readily available in schools, vending machines and other general trade.



Beverages has been the largest contributor to our export business while canned fruit accounts for the majority of sales in the domestic market.

UFC will prioritise the beverage business, with continued capital expenditure in new facilities to support the rapid growth of this category.

2. Sales & Distribution

2.1 Domestic

a) Hypermarkets and Convenience Stores : Overall FMCG sales value to retailers saw a lower performance in 2016 compared with 2015 as Thailand's confidence stay flat. Outlet expansion from modern grocery retailers saw neutral movement across the country as fewer new outlets were opened compared to same period in last year. However, your Company still saw strong growth in value terms and outlet expansion of convenience stores and small size supermarkets were witnessed in 2016. In terms of product mix, due to sharp rise in CPO price during first 8-months adversely affecting our profit margin, we therefore decided to slow down its palm based business. Your Company gave priority to soybean and premium cooking oils instead. And as a result, soybean and premium oils sales tripled from year ago and the outlook is still promising for many years to come.

In coming years selling space is projected to expand in non-urban areas, whereas grocery stores in Bangkok are expected to shrink in terms of store size. Your company therefore launched more small pack size of premium cooking oils to penetrate into this channel.

b) Traditional Trade : The traditional trade has been the crucial distribution channel of the Company amid increasing competition where players have put more effort on market penetration. Besides, proximity to local consumers and thus ability to offer competitive prices. Players also customise marketing programme in district level that can serve varying consumer needs in different area.

Your Company has accordingly focused on strong distribution network that strive to increase of number of customer combining with new business development. Alliance distributor was appointed to enhance capability to conceal the market gap in strategic area. Therefore, your company's customer base has been expanded from grocery shop to hotel and restaurant with product variety i.e. vegetable oil, margarine and shortening and premium oil.

Our premium oil brand "Naturel", which is positioned as a healthy oil, has growth steadily in tradition trade channel. As result of your Company has focused on marketing effort to cater to consumers' rising health consciousness

MANAGEMENT DISCUSSION AND ANALYSIS

c) Food Service : The threat of terrorism, the economy, job security, and debts are top concerns, and no surprise it is directly impact to our sales in Food services customers. Your Company noticed a significant drop in eating out habits and fewer people in shopping malls this year. Due to rising CPO price, your Company decided to move away from long-term bidding in order to minimize losses. By doing so, the impact during the first 8 months were kept at minimum. On the other hand, your Company moved away from cooking oil this year and focus more on margarine and shortening which still have much potential to grow. Your Company has positive outlook over food solutions in 2017 as such products is expected less sensitive to CPO price fluctuations than the previous years.

2.2 Export

a) Oils and fats : In 2016, the export market was affected by CPO price fluctuation. Nevertheless, it can still maintain an organic growth. "Naturel" brand became a focus brand for international markets as it successfully expanded new product SKUs (i.e. Rice bran oil, Refine Coconut cooking oil and Canola oil) and to new markets, like France and Hong Kong.

For Margarine and Shortening, the market can be maintained. Nevertheless, education program are regularly carried out to improve customer bakery knowledge and build brand's trust among target consumers in the long term.

b) Coconut water : Sales of the 100% coconut water category continued to grow strongly in 2016.

"UFC Refresh" 100% coconut water achieved brand market leadership in Singapore and New Zealand in 2016. "UFC Refresh" also continued to grow in key markets like China and UK. New markets in the Middle East also show commendable progress. Increased Advertising and Promotion resources are being invested to support and strengthen the "UFC Refresh" brand.

USA is the largest market for the contract manufacturing of private brands coconut water. Our business continues to grow amidst fiercer competition.

Innovative variants including coconut water with Water Melon, Thai lime and Matcha were launched in various markets to increase brand visibility and expand retail shelf facing against competition.

UFC participated in major exhibitions including Thaifex, Foodex, Gulfood and Africa Big7 in an attempt to recruit new importers and partners.

c) Canned fruits and vegetables : Exports of canned vegetables, especially Baby Corn in brine declined as global demand shrinks.

Exports of canned fruits, especially sliced and diced mango to Japan, remained stable. Canned tropical fruit salad increased with a few new customers.

Operations Overview

1) Productivity improvements

Bangpoo Refinery

- 400 million Baht was invested to improve the productivity of the oil packing line. The second phase (160 million Baht) started production in Q3/2016. The last phase is targeted to complete in Q1/2017.
- The new refill packing machine started running in August 2016. The latest automation technology horizontal form side seal for refill bag 1 Litter will improve product quality.



- The new bag in box machine started on November 2016. The development of BIB machine for continuous production from feeding film to case packing fully automation.



Trang Crushing Mill

Visit key sections of the Company's palm oil operations and RSPO

- In March 2016, Trang Crushing Mill welcomed Mr. Kanit Likhitwittayawoot, Deputy Director-General of Department of Agriculture Extension and Mr. Surachit Intarachit, Inspector of Ministry of Agriculture and Cooperatives, to visit key sections of the palm oil operations and RSPO standard procedure.

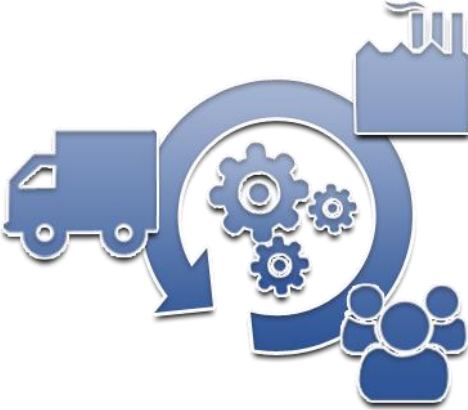
RSPO
Roundtable on Sustainable Palm Oil



MANAGEMENT DISCUSSION AND ANALYSIS

Participate In the Project Of SCLMA

• Trang Crushing Mill participated in the project of SCLMA (Supply Chain and Logistics Management and Industry) to manage supply chain of agricultural industrial products by enhancing information technology knowledge, which would efficiently improve the logistics and supply chain. The agricultural processing facilities is expected to be developed. The project was initiated and supervised by the Center for Strategic and Operations Management Research, Kasetsart University.



MANAGEMENT DISCUSSION AND ANALYSIS

UFC Lampang

- On 12 February 2016, UFC participated in the 7th Northern Productivity Improvement Network (NPIN) for Innovation and Technology Exchange among the Northern Industry Organizations.



UFC Nakhon Pathom

- A new filling machine for UHT1000 ml aseptic line was installed. This will double the current capacity.



- In-House Microbiological Lab: Commissioning of In-House Microbiological Lab in microorganisms - Pathogen detection in raw materials, containers, and finished products to enhance QC checks and food safety.

MANAGEMENT DISCUSSION AND ANALYSIS

- **New Covered Lagoon:** To improve waste water treatment capacity, new covered lagoons for wastewater treatment were installed to increase waste water treatment capacity (50% more than current capacity).



2) Awards and Standard Certifications

Bangpoo Refinery

- On 18 February 2016, Mr. Suwat Praekulthan, Vice President of Operations at Lam Soon (Thailand) Public Company Limited, was granted the “FDA Quality Award” 2016 by the Office of the Food and Drug Administration (FDA) for its achievement for a morally and ethically relevant workplace in food manufacturing based on the quality standards with the system to respond the customer need, and implementing corporate social responsibility (CSR). The ceremony was held at Miracle Grand Convention Hotel, presided over by Clinical Professor Emeritus Dr. Piyasakol Sakolsatayadorn, Minister of Public Health.

“FDA Quality Award 2016” is granted by the Office of the Food and Drug Administration. This year, the awards were granted to 51 companies from various industries classified into food, drug, cosmetic, medical device and household and public health hazardous products with morality and ethics in producing healthy products. The awards are granted based on the criteria of reliable standard focusing on quality systems and responsibility to society.



MANAGEMENT DISCUSSION AND ANALYSIS

- Lam Soon (Thailand) Public Company Limited has been awarded as the Partner of the Year 2016 from Central Restaurant Group Co.,Ltd. (CRG) the leader of food and beverage restaurant chains. CRG operates many famous brands such as KFC, The Terrace, Ootoya, Chabutong, Tenya, Yoshinoya, Mister Donut. Currently, CRG has partners more than 200 companies. Best Partner Awarded 2016 was assessed by CRG through the various factors such overall performance, product quality, delivery process, after sales service etc.



Trang Crushing Mill

- On 9 June 2016, Mr. Suwat Praekulthan, Vice President for operations of Lam Soon (Thailand) Public Company Limited received Carbon Label Certificate (Production Process) for products which receive certified carbon reduction label. The ceremony was organized by Thailand Business Council Sustainable Development (TBCSD) and Thailand Environment Institute (TEI) and held at Centara Grand Central Plaza Hotel.



- In February 2016, Mr. Suwat Praekulthan, Vice President for operations of Lam Soon (Thailand) Public Company Limited. received international award under the project "Healthy, Safety and Happiness Workplace" arranged by the Department of Disease Control, Ministry of Public Health. The project supports the health and wellbeing of the working age population, managing minor illness, reducing accidents and good mental health under the supervision of the public health office in Trang.



UFC Nakhon Pathom

- On 2 August 2016, Nakhon Pathom Factory received ESCO Project Award 2016 from the Federation of Thai Industries, Department of Alternative Energy Development and Efficiency, Ministry of Energy at Thailand ESCO FAIR 2016, the ceremony took place at the Swissotel Le Concorde Hotel, Bangkok.



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.

MANAGEMENT DISCUSSION AND ANALYSIS

7. Contribute to develop the surrounding communities and society

In 2016 the Company jointly developed the surrounding communities and society by contributing the following CSR projects with the total value at 50,000 Baht (2015: 32,000 Baht).

| CSR Activities | |
|---|--|
| <p style="text-align: center;">Quarter 1</p>  | <p>Participating in community sport event namely "17th Kalase Sport against drug addiction"</p> <p>In March 2016, staff at Trang Crushing Mill were encouraged to participate in community sport event, namely "17th Kalase Sport against drug addiction 2016" arranged by Kalase Sub-district Administrative Organisation, Sikao District, Trang province, to promote youth and people at factories nearby to get healthy, be unified, strengthen spirit, use free time effectively, and stay clear from drug.</p> |
|  | <p>Donation to schools on Children's day</p> <p>On 9 January 2016, to support the CSR 2016 Program, UFC donated products to support school activities in 20 schools and the Subdistrict Administrative Organization in Nakhon Pathom on Children's day.</p> |
|  | <p>Lunch donation</p> <p>On 18 January 2016, UFC supported the school lunch program at Mae-Tum Klang School, Chiang Rai.</p> |
|  | <p>Factory Visit from Naresuan University</p> <p>On 22 January 2016, Students from Naresuan University, Phitsanulok, visited UFC production line in Lampang factory to explore and impart complete knowledge for food production.</p> |
|  | <p>Lunch Box Project</p> <p>On 23 February 2016, UFC supported with UFC products in the lunch box campaign for Chit Aree schools and the Northern Career Training Center, Lampang.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

| | |
|--|---|
|  | <p>Factory Visit by Kasetsart University</p> <p>On 30 March 2016, Students from the Department of Horticulture, Kasetsart University, visited our UFC factory to learn about the management of post-harvest technology, quality control, and fruits and vegetables processing</p> |
| <p style="text-align: center;">Quarter 2</p>  | <p>Collaborated with Kalase Sub-District in “Check Dam Building Project”</p> <p>In May 2016, Trang Crushing Mill collaborated with local community at Kalase Sub-District, Sikao District, Trang in “Check Dam Building Project” which was initiated by Mr. Yongyuth Teehor, Kalase Sub-District Chief.</p> |
| <p style="text-align: center;">Quarter 3</p>   | <p>Release Fish On The Occasion Of 12 August</p> <p>In August 2016, Trang Crushing Mill arranged the activity to release fish into canal (No. 3/2016) being an honor on Mother’s Day which was held at National public park in Kuankun Municipality.</p> <p>Participate In Activity With Community Leaders</p> <p>In August 2016, Trang Crushing Mill participated in activity to develop public area on Mother’s Day in 2016, together with community leaders in Kuankun Municipality.</p> |
|  | <p>Allocate Decanter Cake To School</p> <p>In August 2016, Trang Crushing Mill allocated its by-product (decanter cake) from own production process to Ban Thung Khi Lek School to be used in vegetable planting plot for School Lunch Programme.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

| | |
|---|--|
|  | <p>Volunteer services at DonyaiHom Temple</p> <p>On 16 July 2016, UFC staff and workers volunteered and helped monks to clean all meditation areas at Donyaihom Temple before the Buddhist Lent Day.</p> |
| <p style="text-align: center;">Quarter 4</p>  | <p>Join Traditional Ceremony</p> <p>In November 2016, Trang Crushing Mill joined traditional Kathina ceremony for the year 2016 at Wat Charoen Rom Muang and Wat Kamolsri, located nearby the mill as the merit practice doing together with community.</p> |
|  | <p>Donation for Medicine Camp</p> <p>On 5 October 2016, UFC products were donated to The Student Club of the Faculty of Medicine, Thammasat University, organized the camp "I dream of becoming a doctor" which held on 22-24 November 2016.</p> |
|  | <p>Donation for Red Cross</p> <p>On 10 October 2016, to support the Red Cross Fair, UFC donated UFC products to Nakhon Pathom municipality to keep strong relationship with government officials.</p> |



Volunteer for local community

On 21 October 2016, UFC staff helped the local community near Nakhon Pathom Factory to dig canals, clear garbage collection, and decorate a garden around the community.

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 to win 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 provides a source of knowledge for students, learners, and nearby community in respect of waste elimination.

Financial Overview

Financial performance analysis and explanation

1. Operating results

Sales value decreased from 2015 by 2.8% due to sales volume of vegetable oil products decreasing by 17.4% while average selling price increasing by 15.2%. The El Nino phenomenon since 2015 caused the supply of fresh fruit bunch (FFB) in the Kingdom to drop by 11.6% (Source : Internal Trade Department) compared with the previous year. Furthermore, the number of crushing mills has increased, resulting in the intense competition among buyers of FFB. While the average CPO price increased by 21.6%, the Company could not adjust the selling price freely to align with the raw material cost, as the bottled vegetable oil is subject to price controls by Department of Internal Trade. Therefore, its gross profit decreased by 169 million Baht and selling and administrative expenses decreased by 5.8%. The Company's net profit, as a result, decreased by 66 million Baht or 32.5%.

The Company and its subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as follows:-

The Company

| BOI Certificate No. | Operation | Validity Period* | Scope of Exemption |
|---------------------|--|------------------|--|
| 1815(2)/2549 | Manufacture of CPO | 8 years | corporate income tax on income maximum of 100 percent of the amount invested, excluding land and working capital |
| 1013(9)/2551 | Manufacture of electricity from biogases | 8 years | |
| 2093(2)/2550 | Manufacture refined vegetable oil | 8 years | |
| 59-1529-0-05-1-0 | Manufacture refined vegetable | 3 years | corporate income tax on income maximum of 50 percent of the amount invested, excluding land and working capital |

*From the date of first earning operating income

Subsidiaries

| BOI Certificate No. | Operation | Validity Period* | Scope of Exemption |
|---------------------|---|------------------|--|
| 1043(2)/2548 | Manufacture of CPO and palm kernel seed, and electricity from biomass product | 8 years | corporate income tax on income maximum of 100 percent of the amount invested, excluding land and working capital |
| 2088(2)/2547 | Manufacture of fruits and vegetables | 8 years | |
| 2121(2)/2547 | Manufacture of fruits and vegetables into products and fermented soybeans | 8 years | |
| 2112(5)/2547 | Manufacture of frozen fruits and vegetables | 8 years | |
| 2245(9)/2550 | Manufacture of electricity from biogases | 8 years | |

*From the date of first earning operating income

MANAGEMENT DISCUSSION AND ANALYSIS

In 2016 its plantation subsidiary (UPOIC) recorded a net profit at 72 million Baht, compared with net loss at 12 million Baht in 2015. This was because of the following factors.

1. The FFB output decreased

In 2016, the total volume of FFB processed decreased by 35.6% from 2015 (own estates decreased by 20% and the crop from concession land decreased by 24%) due to severe drought caused by the El Nino phenomenon in 2015 and the replanting in the renewal concession area which was in line with the subsidiary's replanting programme set earlier i.e. 1,246 rai in 2015 and 1,410 rai in 2016 while the balance of 1,434 rai being replanted in 2020.

The detail status of subsidiary's concession land are as below:-

- 1) Khiansa estate at 8,588 rai : The concession from the Forest Department expired on 8 July 2014. The subsidiary has been granted for renewal and registered the rental agreement with the Treasury Department on 11 December 2014 for an area 4,294 rai, accounting to 50% of actual utilised area previously registered with the Forest Department and is valid from 9 July 2014 to 8 July 2029. The other half of the area would be allocated to poor people who own no land at the rate of 10 rai/person. Pending such the allocation, the Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee.
- 2) Chaiburi estate at 13,030 rai : The concession from the Forest Department expired on 1 January 2015. The subsidiary is requesting the Forest Department to grant a permit to exploit an area of 6,513 rai; which is now under consideration.

However, on 27 April 2015, the subsidiary was granted a permission to gather forest product in the National Reserved Forest upon the obligation to pay official royalty fees at the rate of 10% of market price of oil palm and forest maintenance fees at a double rate of the official royalty fee. Therefore the subsidiary could start to harvest FFB from that area of the National Reserved Forest from May 2015 onwards.

For the reasons mentioned above, the cost of own FFB crop increased by 12.9% and the volume of outgrower crop decreased by 43.3%, pushing up the CPO cost accordingly.

2. The change of financial reporting standards

During the year, the subsidiary (UPOIC) adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant prescribe the accounting treatment for living animals or plants ("biological assets") and the harvested produce of such biological assets ("agricultural produce") related to an agricultural activity. The principles are as follows:-

- 1) A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- 2) When the biological asset is a bearer plant, accounting treatment in accordance with TAS 16 (revised 2015) re : Property, Plant and Equipment is to be applied. However, product growing on a bearer plant which are biological assets, is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- 3) Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

The change has the effect on the opening balance of retained earnings and equity attributable to non-controlling interests of UPOIC's consolidated financial statements increasing by 33 million Baht and 14 million Baht respectively (net of income tax). The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

Furthermore, the change also has the effect on the subsidiary's profit decreasing by 3.5 million Baht net of income tax due to the change in fair value of biological assets and agricultural produce during the year.

The financial performance of Universal Food Public Company Limited (UFC) continued to improve significantly in 2016. The sales revenue at 2,385.5 million Baht represented a 17.4 % increase (2015 : 2,031.2 million Baht). Export sales revenue accounted for 69.73% of total sales revenue. Sales of coconut water was the main contributor. Then, beverage has been the largest category of the export channel while canned fruit and vegetable were the majority of sales in the domestic market. Sales of canned fruit and vegetable category accounted for 23.5% of the total sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2016 "UFC Refresh" 100% coconut water achieved brand market leadership in Singapore and New Zealand. It also continued to grow in key markets like China and the United Kingdom. New markets in the Middle East region also showed commendable progress. More advertising and promotion campaign are being invested to support and strengthen the "UFC Refresh" brand.

USA is the largest market for the coconut water contract manufacturing of private brands in other markets. UFC continues to grow amidst fiercer competition.

Profit attributable to equity holders of the Company increased from 311 million Baht in 2015 to 331 million Baht, or increasing by 6.2%. The Company's net profit margin in 2016 was recorded at 4% (2015 : 3.8%).

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

Revenues

Sales : Net Sales under LST and its subsidiaries increased by 70 million Baht or 0.9%. Sales of vegetable oil products decreased by 230 million Baht as per the reasons mentioned above. Sales of margarine and shortening products increased by 39 million Baht. Sales of beverage, canned fruit & vegetable and others increased by 350 million Baht. Other palm products decreased by 76 million Baht. Sales of electricity power decreased by 12 million Baht.

Other income : Income other than those generated by normal operation was 75 million Baht or 1% of total revenues, a decrease of 18 million Baht. This was due to the decrease of by-products sales as resulted of decreasing of core products.

Cost of sales and expenses

Cost of sales : In 2016, the Company and its subsidiaries recorded cost of sales at 84.5% of total sales (2015 : 84.4%). Cost of sales of the Company itself was 92.1% (2015 : 89.7%) because of higher CPO price explained above.

Plantation subsidiary UPOIC recorded cost of sales at 84.2% of total sales (2015 : 95.7%). This was because the average selling price of CPO and CPKO increased by 21.8% and 44.9% respectively while the average cost of FFB increasing by 12.9%. This resulted in lower cost of sales as a percentage of total sales value.

For UFC, it recorded cost of sales at 73% of total sales (2015 : 72%).

Selling expenses : In 2016, the Company and its subsidiaries recorded selling expenses at 662 million Baht, a decrease of 12 million Baht (2015 : 674 million Baht). Selling expenses of the Company itself decreased by 27 million Baht due to transportation cost, promotion expenses and warehouse rental. At its subsidiaries, selling expenses increased by 14 million Baht due to promotion expenses.

Administrative expenses : Administrative expenses in 2016 was 200 million Baht (2015 : 214 million Baht), decreasing by 14 million Baht from the Company itself deriving from recruiting fees and advisory fees, and from the subsidiary deriving from donations and advisory fees.

In 2016 UFC has taken up the investment impairment loss of 310 million Baht in the subsidiary, manufacturing frozen vegetable and fruit. Consequent to the downsizing of the business of the subsidiary, income was affected while ongoing interest charges needed to be paid continuously. To reduce the interest burden and accumulated losses, it was necessary for the subsidiary to increase the capital in order to repay the bank loans.

Share of profit (loss) from investment in joint venture : In 2016, the subsidiary (UPOIC) recorded loss from investment in joint venture at 11 million Baht (2015 : profit at 5 million Baht). This was because the joint venture recorded loss from the change of biological asset value which affected from the adoption of TAS 41 during 2015 as explained above.

Finance cost : Finance cost in 2016 was recorded at 44 million Baht (2015 : 48 million Baht).

Profits

Gross profit (GP) : GP margin was 15.5% in 2016 (2015 : 15.6%). For the Company itself, gross profit decreased by 169 million Baht. Gross profit of its subsidiary (UPOIC) increased by 91 million Baht while gross profit of UFC increased by 79 million Baht as earlier explained. The gross profit of the Company and its subsidiaries therefore increased by 6 million Baht or 0.5%.

Profit before income tax expenses : Although the GP increased slightly, SG&A expenses dropped at a higher rate. This resulted in the profit before income tax expenses increasing by 46 million Baht in 2016.

Net profit : The Company and its subsidiaries recorded the net profit attributable to equity holders of the Company at 331 million Baht (2015 : 311 million Baht), an increase of 19 million Baht or 6.2%, with net profit margin of 4% in 2016 (2015 : 3.8%).

Dividend payout ratio : In 2016, the Company paid dividend for the operational year 2015 at the rate of 0.15 Baht per share representing a payout ratio of 60% of net profit (2015 : 0.20 Baht per share, representing a payout ratio of 58.8% of net profit in 2014). It has been the Company's policy to pay dividends to shareholders not less than 40% of net earnings after tax.

In 2016, UPOIC did not pay the interim dividend for the 2016 financial year. Because of net operating loss in 2015, dividend for the year 2015 was paid out of its retained earnings at the rate of 0.10 Baht per share.

In 2015, UPOIC paid a final dividend at the rate of 0.15 Baht per share for the 2014 financial year. Combining with the 2014 interim dividend at the rate of 0.15 Baht per share, the total dividend paid for 2014 financial year amounted to 0.30 Baht per share, representing a payout ratio of 58.11% of its net profit. UPOIC has a policy of paying not less than 50% of net profit after tax as dividend.

With the improved operating result of UFC, it recorded net profit at 215.8 million Baht in 2015. As of 31 December 2015, its retained earnings were at 76.6 million Baht. Therefore, the Board of Directors of UFC announced to pay the dividend for the operational year 2015 at the rate of 1.20 Baht/share.

Book value (weighted average number of ordinary shares) : As at December 31, 2016, the book value per share of LST was 3.45 Baht (weighted average number of shares at 820 million shares), an increase compared to 3.43 Baht in 2015.

2. Financial position

Assets : At the end of 2016, the total asset value of the Company and its subsidiaries was 5,948 million Baht, an increase of 76 million Baht or 1.3% compared with 2015. The major reasons are as follows:-

- **Cash and cash equivalents :** The Company and its subsidiaries recorded cash and cash equivalents at 420 million Baht (2015 : 480 million Baht) decreasing by 60 million Baht or 12.4%. Cash of the Company itself increased by 9 million Baht, while cash of its subsidiaries decreased by 69 million Baht.

- **Trade and other receivables :** Trade A/R – unrelated parties at 885 million Baht was recorded by the Company and its subsidiaries (after an allowance for doubtful debt), accounting for 14.9% of total assets (2015 : 1,113 million Baht, accounting for 19% of total assets). Such decrease was because of lower A/R which was not yet due and A/R aging not more than 3 months. The average collection period was at 46 days in 2016, the same as 2015.

The Company and its subsidiaries recorded A/R aging more than 3 months and returned cheques at 6.2% (2015 : 3.8%). In the meantime, the Company already set the allowance for doubtful accounts at 84.9% of the value of A/R aging more than 3 months and returned cheques (2015 : 100.8%).

- **Inventory** was worth 1,426 million Baht or 24% of total assets, increasing by 299 million Baht (2015 : 1,127 million Baht, or 19.2% of total assets). At the Company level, there was an increase of 365 million Baht caused by higher volume and price of raw material inventories. At subsidiaries, there was a decrease of 66 million Baht. During the year, the Company and its

MANAGEMENT DISCUSSION AND ANALYSIS

subsidiaries reduced cost of inventories by 9 million Baht (2015: 13 million Baht) to reflect the net realisable value. This was included in cost of sales.

Its subsidiary adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant which became effective for fiscal years beginning on or after 1 January 2016. It requires a change in its accounting treatment for biological assets and agricultural produce, which were previously recognised at cost, being recognised at fair value less costs to sell the point of harvest. The change has the effect of decreasing the opening balance of inventory and the opening balance of retained earnings in the consolidated financial statements by 5 million Baht.

- **Biological assets** was recorded at 84 million Baht accounting for 1.4% of total assets, increasing by 61 million Baht (2015 : 22 million Baht accounting for 0.4% of total assets which was affected by the change of financial reporting standards for Agriculture as well).

- **Other current assets** was 38 million Baht decreasing by 6 million Baht. There were an increase of 3 million Baht at the Company level derived from prepaid promotion expenses, and a decrease of 9 million Baht at subsidiary from taxes receivable (VAT) and accrued income.

- **Investment properties** decreased by 1 million Baht as at the end of 2016 due to annual depreciation.

- **Property, plant and equipment** : The net value of property, plant and equipment was at 2,414 million Baht decreasing by 12 million Baht or 0.5% from 2015. There was an increase of 8 million Baht at the Company level due to new machineries and replacement of old ones at Bangpoo Refinery to improve the productivity which has been carried from 2015. While a decrease of 19 million Baht was from a subsidiary derived from the disposal of unused machineries, equipments and vehicles, and the annual depreciation.

- **Cost of forest land rights and cost of palm plantation** increased by 13 million Baht due to cost of plantation which was still immature at a subsidiary.

- **Intangible assets** decreased from the annual amortisation.

- **Other non-current assets** increased by 26 million Baht owing to the deposit payment for machinery at its subsidiary.

3. Source of Fund

Structure of Fund : Under the consolidated financial statements, source of fund comprised 3,492 million Baht from shareholders' equity and 2,455 million Baht of liabilities, in the ratio of 58.7 : 41.3 respectively. Of the said amount of liabilities, loans from financial institutions amounted to 1,792 million Baht or 72.9% of total liabilities, comprising short-term loan at 1,658 million Baht (67.5%) and long-term loan at 134 million Baht (5.4%). The ratio of debt to equity was 0.70 times at the end of 2016 (2015 : 0.82 times). Further details are set out below:-

- **Shareholders' equity** increased by 269 million Baht or 8.4% because net profit of the Company and a subsidiary increased.

- **Liabilities** : The Company and its subsidiaries had the following loans:-

(a) short-term loans from financial institutions of 1,658 million Baht, of which:-

- 1) 685 million Baht was extended to a subsidiary.
- 2) 340 million Baht was extended to a subsidiary due at call.
- 3) 25 million Baht represents the current portion of long-term loan extended to the subsidiary.
- 4) 530 million Baht was extended to the Company.
- 5) 78 million Baht represents the current portion of long-term loan extended to the Company.

(b) long-term liabilities amounted to 134 million Baht represents the long-term loan net of current portion combined with:-

- 1) 38 million Baht was extended to a subsidiary. The loan is repayable every 3 months starting in September 2015 until June 2019, and bears interest at the rate of THBFIX.
- 2) 96 million Baht extended to the Company. The loan is repayable every 3 months for 3 years starting 3 months after the final drawdown, and bears interest at the rate of the rate of 3-month BIBOR + 1%.

Financial liquidity

In 2016, the Company and its subsidiaries had lower financial liquidity than 2015 as cash and cash equivalents decreased by 60 million Baht to 420 million Baht (2015 : 480 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 2016, the Company and its subsidiaries had net cash received from operating activities at 506 million Baht (2015 : 567 million Baht) decreasing by 61 million Baht. Such decrease was contributed by the allowance for assets impairment of subsidiary decreasing by 35 million Baht and other non-current assets increasing by 30 million Baht.

Cash flows from investing activities : In 2016, the Company and its subsidiaries recorded net cash used in investing activities at 261 million Baht (2015 : 668 million Baht). This was because of the investment in machineries from the Company and its subsidiary.

Cash flows from financing activities : In 2016, the Company and its subsidiaries recorded net cash used in financing activities at 304 million Baht (2015 : receipt of 368 million Baht). Such decrease was attributed to the repayment of loan from financial institution.

Financial ratios

Current ratio was at 1.27 times (2015 : 1.18 times).

Quick ratio was at 0.59 times (2015 : 0.68 times).

Return on total assets (Average) increased to 6% in 2016 (2015 : 5.6%) as net profit for the year increased by 14.7%, whereas total assets slightly increased by 1.3%.

Return on total equity (Average) increased to 10.6% in 2016 (2015 : 9.8%) as net profit for the year increased.

Total debt to equity ratio decreased to 0.70 times in 2016 (2015 : 0.82 times) due to loans from financial institutions was decreased.

Accounts receivable turnover was at 7.91 times in 2016 (2015 : 7.84 times). Trade A/R and other receivables decreased by 20.9% while sales value increased by 1%. The average collection period was 46 days in 2016 (2015 : 46 days).

Inventory turnover of finished goods was 12.69 times (2015 : 11.44 times). Cost of sales of the Company and its subsidiaries was about the same as in 2015 while finished goods decreased by 42 million Baht. Inventory turnover period decreased to 28 days (2015 : 31 days).

Accounts payable turnover was 14 times (2015 : 15 times); average payment period was at 26 days (2015 : 24 days). This was because average trade accounts payable and other payables increased by 2%.

4. Capital Expenditure

Capital expenditure of the Group was incurred for land purchase for growing palm, replanting programme, and improvement of machinery efficiency.

- In 2015, the Company has PET in-house production project and packing line project to replace deteriorated machines, with the investment of 400 million Baht. The PET bottles project started to produce in Q4/2015. The newly replaced packing line project was partly started running. It is expected that all projects will be completed within Q1/2017.

MANAGEMENT DISCUSSION AND ANALYSIS

- In 2016, the subsidiary (UPOIC) purchased land adjacent to the existing area at Tub Prik, Krabi, to expand its oil palm plantation area and reduce the operating cost of Tab Prik estate.

Replanting programme for the concession land in Khiansa : A subsidiary has been granted a renewal from the Treasury Department to make use on 50% of actual utilised area. The replanting in the renewal area ,which started in 2015 and 2016, is expected to complete in 2020.

- A subsidiary (UFC) invested in new machinery to support the future growth of the beverage business including another new UHT filling line and other supporting equipments to increase the production capacity by 60.0%. The combined production capacity for beverage, canned fruit and vegetables in the 2 factories are currently about 7 million standard cases per year.

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) | 2016 | 2017 |
|-------------------------|------------------|------------------|
| for the Company | 1,560,000 | 1,660,000 |
| for 2 subsidiaries | 2,030,000 | 2,170,000 |
| for 5 related companies | 710,000 | 710,000 |
| Total | 4,300,000 | 4,545,000 |

2) Non-Audit Fee

The Company, its subsidiaries, and the related companies 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) | 2016 | 2017 |
|--|----------------|----------------|
| for the Company | 420,000 | 420,000 |
| for 2 subsidiaries | 440,000 | 440,000 |
| for 2 related company | 100,000 | 100,000 |
| Total | 960,000 | 960,000 |

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 10 May 2016, the top ten shareholders and their holdings are as follows:-

| Shareholder's Name | Percentage of Paid-up Capital |
|---|-------------------------------|
| (1) Lam Soon Holding Co., Ltd. ⁽ⁱ⁾ | 42.11 |
| (2) Hap Seng Consolidated Berhad ⁽ⁱⁱ⁾ | 20.00 |
| (3) CIMB Securities (Singapore) Pte Ltd | 11.03 |
| (4) Lam Soon Cannery Pte Ltd. ⁽ⁱⁱⁱ⁾ | 7.48 |
| (5) Mr. Suwit Laohapolwattana | 3.43 |
| (6) CIMB Securities Limited | 1.62 |
| (7) Mrs. Supaporn Smitthinant | 1.25 |
| (8) Mrs. Pennipa Duangsittisombat | 0.70 |
| (9) The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch | 0.70 |
| (10) Mr. Niti 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 2016, shareholders holding 10% or more of Lam Soon Holding Co., Ltd. are as follows:-

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

- (ii) Hap Seng Consolidated Berhad is an investment holding company listed on the Main Market of 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 2016 was 61.43% comprising direct and indirect shareholdings of 54.63% and 6.80% respectively.

- (iii) Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2016, 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) Art-ong Jumsai Na Ayudhya, Ph.D. | Chairman of Board of Directors, Independent Director and Chairman of Audit Committee |
| (2) Ms. Anchalee Suebchantasiri | Managing Director |
| (3) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Independent Director and Member of Audit Committee |
| (4) Mr. Banchong Chittchang | Independent Director and Member of Audit Committee |
| (5) Lackana Leelayouthayotin, Ph.D. | Independent Director |
| (6) Datuk Simon Shim Kong Yip | Non-Independent Non-Executive Director |
| (7) Mr. Whang Shang Ying | Executive Director |
| (8) Ms. Piyathida Sukchan | Executive Director |
| (9) Mr. Ampol Simarojana | Non-Executive Director and Operations Consultant |
| (10) Ms. Jirasuda Sumpaotong | Company Secretary |

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

| | |
|---------------------------------|--|
| (1) Ms. Anchalee Suebchantasiri | Managing Director and Chief Risk Officer |
| (2) Ms. Piyathida Sukchan | Executive Director |
| (3) Ms. Jirasuda Sumpaotong | Finance and Accounting Manager |
| (4) Mr. Suwat Praekulthan | Operations Manager |
| (5) Mr. Virat Suwannarat | Human Resources Manager |

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

- 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)
- Independent Director and member of Audit Committee, Kim Eng Securities (Thailand) Plc. (2002-2015)

Present Experience

- 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

Past experience

- President, Malee Sampran Plc. (1995 – 2004)
- Had led the management team to successfully rehabilitate Malee Sampran Plc. under the strict monitoring by the Stock Exchange of Thailand (1996 – 1998)

Present Experience

- 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
- A facilitator of the Strategic Management courses for IOD Director Certification Programmes (IOD DCP) since 2005 until present
- Director, Thai Institute of Directors

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 2017 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 2016, the Board of Directors held 4 meetings, with attendance shown of each member as below:-

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

4. Names and Position of the Management

| Name | Position |
|---------------------------------|--|
| (1) Ms. Anchalee Suebchantasiri | Managing Director |
| (2) Mr. Whang Shang Ying | Executive Director |
| (3) Ms. Piyathida Sukchan | Executive Director |
| (4) Mrs. Roongnapa Phanomchoeng | Sales Manager – Key Accounts |
| (5) Mr. Komkris Siriwongpairat | Sales Manager – Modern Trade / Food Solution |
| (6) Mr. Sirichai Navasettavorn | Sales Manager – Traditional Trade / Industrial |
| (7) Ms. Jirasuda Sumpaotong | Finance and Accounting Manager |
| (8) Mr. Suwat Praekulthan | Operations Manager |
| (9) Mr. Virat Suwannarat | Human Resources Manager |

5. Details of Executive Board and Company Executives

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

Chairman of Board of Directors, Independent Director and Chairman of Audit Committee

Age : 76 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 1 company

- Director : 0 company

Number of years as a director : 10 years (date of appointment : 10 August 2007)

Family relation with management : None

Education : Ph.D. Imperial College of Science and Technology, London University, United Kingdom
Ph.D. Faculty of Education, Chulalongkorn University

Director Training Programme : Certificate of Completion DCP 146/2011 and ACP 38/2012 from Thai Institute of Directors (IOD)

Position in other listed companies :

Independent Director and member of Audit Committee, SPCG Plc.

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

Other Experience :

■ Chief Administrator, Sathya Sai School, Lopburi province

■ Director, AJ Technology Co., Ltd.

Senior Lecturer, The Faculty of Engineering, Chulalongkorn University

Member of Parliament (Elected 3 times)

Senator, Bangkok

Secretary to the Foreign Minister

Expert in the National Research Council on rockets for use in the Artificial Rain Making Project

Meeting Attendance in 2016 : Attended the Board Meeting 4 times out of 4 times
Attended the AC Meeting 4 times out of 4 times

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(2) Ms. Anchalee Suebchantasiri

Managing Director and Chief Risk Officer

Age : 58 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 : 22 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 2016 : Attended the Board Meeting 4 times out of 4 times

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

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

Age : 70 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 3 companies
 Number of years as a director : 10 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)
 Certificate of Completion, Corporate Governance for
 Capital Market Intermediaries (CGI 2/2015)

Position in other listed companies :

- Independent 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 :

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

Meeting Attendance in 2016 : Attended the Board Meeting 4 times out of 4 times
 Attended the AC Meeting 4 times out of 4 times
 Attended the RC Meeting 2 times out of 2 times
 Attended the NC Meeting 1 time out of 1 time

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(4) Mr. Banchong Chittchang

Independent Director, Member of Audit Committee, Member 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 : 1 company
- Director : 2 companies
Number of years as a director : 10 years (date of appointment : 14 June 2007)
Family relation with management : None
Education : Master of Science in Mechanical Engineering Degree, University of Akron, U.S.A.
Bachelor of Engineering (Second Class Honors) in Mechanical Engineering, Chulalongkorn University
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.

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

Other Experience :

- Chairman and Independent Director, TPBI Plc.
- Director, Thai Institute of Directors
- 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 2016 : Attended the Board Meeting 4 times out of 4 times
Attended the AC Meeting 4 times out of 4 times
Attended the RC Meeting 2 times out of 2 times
Attended the NC Meeting 1 time out of 1 time

(5) Lackana Leelayouthayotin, Ph.D.

Independent Director

Age : 63 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 years (date of appointment : 1 April 2015)
Family relation with management : None
Education : Doctor of Business Administration (DBA), Marketing, University of Southern Queensland, Australia
Master of Business Administration (MBA), Marketing, Catholic University of Leuven, Belgium
Bachelor of Science (BSC), Chemistry, Chulalongkorn University
Director Training Programme : Certificate of Completion DCP 225/2016 from Thai Institute of Directors (IOD)
Certificate of Corporate Governance for Directors and Top Executives of State Enterprises and Public Organizations from Public Director Institute (PDI), King Prajadhipok's Institute, 15/2016

Position in other listed companies :

- Director, GMM Grammy Plc.
- Director and Chairman of the Audit Committee, Techno Medical Plc.

Other Experience :

- Director, Cerebos (Thailand) Co., Ltd.
- Director, The ONE Enterprise Co., Ltd.
- President of the Foundation for Education of the Marketing Association of Thailand (MAT)

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

- Committee of the Recruitment and Promotion of Voluntary Blood Donor, The Thai Red Cross Society
 - Director and Chairman of the Audit Committee, Thailand Institute of Nuclear Technology (TINT)
 - Independent Director and Audit Committee, Mahaphan Fibre-Cement Plc.
 - Independent Director, Bangchak Retail Co., Ltd.
 - Managing Director, Adviser and Beyond Co., Ltd
 - Executive Director, Cerebos Pacific Limited, Singapore
 - Chief Executive Officer of Health Supplement Division, Cerebos Pacific Limited, Singapore
 - Executive Vice President & Chief Executive Officer of South East Asia, Cerebos Pacific Limited, Singapore
 - Chief Executive Officer, Cerebos (Thailand) Co., Ltd.
 - Executive Product Manager, Diethelm Co., Ltd.
 - President of the Marketing Association of Thailand (MAT)
- Meeting Attendance in 2016 : Attended the Board Meeting 4 times out of 4 times

(6) **Datuk Simon Shim Kong Yip**

Non-Independent Non-Executive Director and Chairman of Nomination Committee

Age : 60 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 : 10 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 Deputy Chairman, 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.
- Berrister-at-law of the Lincoln's Inn, London
- Chartered Arbitrator
- 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
- Notary Public in Malaysia
- Member of the Malaysian Corporate Law Reform Committee and its working group on Corporate Governance, and Shareholders' rights
- Non-Independent Non-Executive Director, Malaysian Mosaics Berhad
- Non-Executive Director, Paos Holdings Berhad, a company listed on the Bursa Malaysia

Meeting Attendance in 2016 : Attended the Board Meeting 3 times out of 4 times
 Attended the NC Meeting 1 time out of 1 time

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(7) Mr. Whang Shang Ying

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

Age : 56 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 : 19 years (date of appointment : 24 April 1998)
Family relation with management : None
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.
- Director, Jurong Cement Limited, a public listed company in Singapore

Other Experience :

- Chairman and Executive Director, Universal Food Plc.
- 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.
- Member of Board of Governors, Singapore Polytechnic
- Member of the Advisory Board of Asian Civilisations Museum, Singapore

Meeting Attendance in 2016 : Attended the Board Meeting 4 times out of 4 times
Attended the RC Meeting 2 times out of 2 times
Attended the NC Meeting 1 time out of 1 time

(8) Ms. Piyathida Sukchan

Executive Director and Member of Risk Management Committee

Age : 48 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 : 4 years (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, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Director, Phansrivivat Co., Ltd.
- Director, Phansri Co., Ltd.
- Director, Prachak Vivat Co., Ltd.
- Director, Siam Elite Palm Co., Ltd.

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

Meeting Attendance in 2016 : Attended the Board Meeting 4 times out of 4 times

Note : present past

SHAREHOLDERS AND MANAGEMENT

(9) Mr. Ampol Simarojana

Non-Executive Director and Operations Consultant

Age : 60 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 1 company
 Number of years as a director : 22 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 2016 : Attended the Board Meeting 4 times out of 4 times

(10) Mrs. Roongnapa Phanomchoeng

Sales Manager- Key Account

Age : 58 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 Siritwongpairat

Sales Manager – Modern Trade / Food Solution

Age : 44 years
 % of share holding : None
 Family relation with management : None
 Education : Master in Financial Management,
 University of Exeter, United Kingdom
 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) Co., Ltd.

Key Account Manager & Trade Marketing Manager, Diethelm Co., Ltd

(12) Mr. Sirichai Navasettavorn

Sales Manager – Traditional Trade and Industrial

Age : 43 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

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

- 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) Co., 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, Finance and Accounting Manager, and Member of Risk Management Committee

- Age : 46 years
% of share holding : None
Family relation with management : None
Education : Bachelor of Accountancy in Cost Accounting, Chulalongkorn University
Director Training Programme : Certificate of Completion DCP 208/2015 from Thai Institute of Directors (IOD)

- Other Experience :
- Director, Lam Soon Holding Co., Ltd.
 - Cost Accounting Manager, Kohler (Thailand) Plc.
 - Commercial Finance Analysis Manager / Senior Cost Analysis Manager, American Standard B&K (Thailand) Co., Ltd.
 - Industrial Accounting Manager / Globe IS Manager, Nestle (Thai) Co., Ltd.

(14) Mr. Suwat Praekulthan

Operations Manager and Member of Risk Management Committee

- Age : 48 years
% of share holding : None
Family relation with management : None
Education : MBA, Kasetsart University
Bachelor Degree of Food science, Songklanakarin University
Director Training Programme : None

- Other Experience :
- General Manager, Suretex Limited (Surat Thani) Co., Ltd.
 - Operations Manager, SSL Manufacturing (Thailand) Co., Ltd.
 - Factory Manager, Reckitt Benckiser Healthcare Manufacturing (Thailand) Co., Ltd.

(15) Mr. Virat Suwannarat

Human Resources Manager and Member of Risk Management Committee

- Age : 49 years
% of share holding : None
Family relation with management : None
Education : Master Degree of Public Administration, Business Management, Burapha University

- Director Training Programme : None
Other Experience :
- HR Director, Sara Lee (Thailand) Co., Ltd.
 - HR Director, Moccona (Thailand) Co., Ltd.
 - Plant HR Manager, Cadbury Adams (Thailand) Co., Ltd.

Note : present past

SHAREHOLDERS AND MANAGEMENT

6. Directors and Executives holding shares in the Company

| Name | No. of shares as of 31 December 2015 | Increase (Decrease) in no. of shares during the financial year | No. of shares as of 31 December 2016 |
|--|--------------------------------------|--|--------------------------------------|
| (1) Art-ong Jumsai Na Ayudhya, Ph.D. | - | - | - |
| (2) Ms. Anchalee Suebchantasiri | 9,140 | - | 9,140 |
| (3) Assoc. Prof. Preecha Jarungidanan, Ph.D. | - | - | - |
| (4) Mr. Banchong Chittchang | - | - | - |
| (5) Lackana Leelayouthayotin, Ph.D. | - | - | - |
| (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 | - | - | - |
| (14) Mr. Suwat Praekulthan | - | - | - |
| (15) Mr. Virat Suwannarat | - | - | - |

7. Remuneration of Directors and Management

Monetary Remuneration

(a) Director's fees : Total fees to all 9 members of the Board 5,583,900 Baht

| Name | Position | Director's fees in 2016 |
|--|---|-------------------------|
| (1) Art-ong Jumsai Na Ayudhya, Ph.D. | Chairman of the Board, Independent Director, and Chairman of Audit Committee | 1,058,800 |
| (2) Ms. Anchalee Suebchantasiri | Managing Director | 256,800 |
| (3) Assoc. Prof. Preecha Jarungidanan, Ph.D. | Independent Director Member of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee | 1,020,000 |
| (4) Mr. Banchong Chittchang | Independent Director Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee | 1,020,000 |
| (5) Lackana Leelayouthayotin, Ph.D. | Independent Director | 542,400 |
| (6) Datuk Simon Shim Kong Yip | Non-Independent Non-Executive Director and Chairman of Nomination Committee | 564,300 |
| (7) Mr. Whang Shang Ying | Executive Director Member of Remuneration Committee Member of Nomination Committee | 322,400 |
| (8) Ms. Piyathida Sukchan | Executive Director | 256,800 |
| (9) Mr. Ampol Simarojana | Non-Executive Director and Operations Consultant | 542,400 |

(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 10 persons of the Management : 72,911,964 Baht*

(d) Remuneration paid to the Company's Executive Directors as the Management of Subsidiaries for 3 persons : 7,003,500 Baht

SHAREHOLDERS AND MANAGEMENT

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

Other Remuneration

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

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

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

| Name of companies Name of Directors and Management | The Company | Subsidiaries | | Related Company (Lam Soon Holding Co., Ltd.) |
|---|-------------|-------------------------------|---------------------|---|
| | | United Palm Oil Industry Plc. | Universal Food Plc. | |
| (1) Mr. Whang Shang Ying | // | / | * | / |
| (2) Ms. Anchalee Suebchantasiri | // | // | | / |
| (3) Ms. Piyathida Sukchan | // | // | | / |
| (4) Mr. Ampol Simarojana | / | | | |
| (5) Ms. Jirasuda Sumpaotong | /// | // | | / |

Notes : * : Chairman of Board of Directors
/ : Director
// : Executive Director
/// : Management

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' 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. 1/2017 held on 28 February 2017, 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 | : | 46 years |
| % of share holding | : | None |
| Family relation with management | : | None |
| Education | : | B.B.A. (Accounting), Ramkhamhaeng University LL.B., Thammasat University MBA., Ramkhamhaeng University Certified Public Accountant |
| Training Course | : | COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission) Evaluation of internal control system COSO-ERM (The Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management) |
| Duties and responsibilities | : | Design the annual internal audit plan Review risk assessment of the internal control system Submit the finding reports to the Audit Committee |
| Other Experience | : | <ul style="list-style-type: none">■ Audit partner Dr. Virach and Associates Office Co., Ltd.■ Internal auditor, United Palm Oil Industry Public Co., Ltd., 17 years■ Internal auditor, Lam Soon (Thailand) Public Co., Ltd., 12 years |

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 2016 at the rate of 0.10 Baht/share representing 59.4% of net profit, compared with that of 2015 at 0.15 Baht/share representing 60% 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. set a dividend payout ratio at not less than 40% of its net earnings after tax subject to the Company's future investment and funding requirements.

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 |
|--------------------|---|--------------------------------------|------|------------------------------------|--|
| | | 2016 | 2015 | | |
| Subsidiary company | Purchase of raw materials | 516 | 750 | 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 | 709 | 688 | 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 | 1 | 1 | 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 | 85 | 34 | At the declared rate | This is the dividend received from investment in UPOIC and UFC. |
| | 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 | 68 | 71 | On actual basis | This is selling and administrative expenses from being the distributor for UFC. |

The balances of the accounts as at 31 December 2016 and 2015 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 2016, the Company's purchases of CPO, CPKO, PKS and FFB from UPOIC accounted for 13.29% (2015 : 21.51%) 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 2016, 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 -

INFORMATION ON DEBENTURES OR PROMISSORY NOTES

- None -

Lam Soon (Thailand) Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2016

Independent Auditor's Report

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

Opinion

I have audited the accompanying consolidated financial statements of Lam Soon (Thailand) Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Lam Soon (Thailand) Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matters

I draw attention to the following notes to the financial statements:

- a) Note 3 to the financial statements regarding the changes in accounting policies as the result of the adoption of the new financial reporting standards.
- b) Note 18 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 expired in January 2015. The subsidiary has used the land of 13,030 rai to grow oil palm. The subsidiary is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under consideration of such government unit.

My opinion is not qualified in respect of the above matters.

Key Audit Matters

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

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

In addition to the matters described in the Emphasis of Matters section, key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

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

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

Impairment of goodwill

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

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

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

The application of TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant requires the Group to record biological assets at their fair value less point of harvest cost to sell, as described in Note 3 to the financial statements. The measurement of fair value of biological assets - palm fruit on trees requires the estimating data and assumptions consisting of the estimated harvesting volume and selling price at each point of harvest, considering that they are appropriate and correspond to the nature and circumstances of the biological asset being measured, based on the exercise of the judgement of an internal agriculture expert and management as to the appropriateness of the basis and assumptions relevant to the estimations. There may be a risk that the value of biological assets is misstated.

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Miss Kamontip Lertwitworatep.



Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

EY Office Limited
Bangkok: 28 February 2017

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2016

(Unit: Baht)

| | Note | Consolidated financial statements | | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| | | As at | As at | As at | As at | As at |
| | | 31 December 2016 | 31 December 2015 | 1 January 2015 | 31 December 2016 | 31 December 2015 |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 7 | 420,385,408 | 479,942,874 | 212,800,513 | 130,745,424 | 121,706,095 |
| Trade and other receivables | 6, 8 | 911,801,125 | 1,152,262,484 | 902,094,496 | 784,831,288 | 924,798,018 |
| Short-term loans to related parties | 6 | - | - | - | - | - |
| Inventories | 9 | 1,425,890,929 | 1,127,358,400 | 1,294,624,420 | 915,168,224 | 550,001,637 |
| Biological assets | 10 | 83,546,770 | 22,279,272 | 4,946,872 | - | - |
| Other current assets | | 38,379,436 | 44,047,100 | 38,501,520 | 13,977,543 | 10,971,124 |
| Total current assets | | 2,880,003,668 | 2,825,890,130 | 2,452,967,821 | 1,844,722,479 | 1,607,476,874 |
| Non-current assets | | | | | | |
| Investments in subsidiaries | 11 | - | - | - | 1,312,870,944 | 1,312,870,944 |
| Investment in joint venture | 12 | 42,353,381 | 39,280,826 | 39,683,607 | - | - |
| Investment in associated company | 13 | - | - | - | - | - |
| Other long-term investments | 14 | 1,649,223 | 1,701,058 | 3,939,715 | 1,649,223 | 1,701,058 |
| Long-term loans to other companies | 15 | 60,480,000 | 61,740,000 | - | - | - |
| Investment properties | 16 | 64,353,903 | 65,022,058 | 86,530,203 | 5,617,613 | 6,562,545 |
| Property, plant and equipment | 17 | 2,413,746,784 | 2,425,929,595 | 2,085,549,818 | 868,594,589 | 861,072,918 |
| Cost of forest land rights and cost of palm plantation | 18 | 214,977,626 | 201,543,376 | 207,104,226 | 212,765 | 224,529 |
| Goodwill | 11 | 196,376,189 | 196,376,189 | 196,376,189 | - | - |
| Intangible assets | 19 | 8,696,997 | 9,270,861 | 8,269,679 | 5,364,728 | 4,996,919 |
| Deferred tax assets | 28 | 36,895,928 | 41,809,525 | 35,605,028 | 8,663,054 | 8,581,403 |
| Other non-current assets | | 28,227,634 | 2,711,228 | 7,570,570 | 485,236 | 485,236 |
| Total non-current assets | | 3,067,757,665 | 3,045,384,716 | 2,670,629,035 | 2,203,458,152 | 2,196,495,552 |
| Total assets | | 5,947,761,333 | 5,871,274,846 | 5,123,596,856 | 4,048,180,631 | 3,803,972,426 |

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 2016

(Unit: Baht)

| | Note | Consolidated financial statements | | | Separate financial statements | |
|--|-------|-----------------------------------|----------------------|----------------------|-------------------------------|--------------------|
| | | As at | As at | As at | As at | As at |
| | | 31 December 2016 | 31 December 2015 | 1 January 2015 | 31 December 2016 | 31 December 2015 |
| Liabilities and shareholders' equity | | | | | | |
| Current liabilities | | | | | | |
| Short-term loans from financial institutions | 20 | 1,555,000,000 | 1,610,000,123 | 1,230,000,000 | 530,000,000 | 255,000,000 |
| Trade and other payables | 6, 21 | 503,952,230 | 494,027,566 | 429,033,819 | 451,075,426 | 453,233,612 |
| Short-term loan from related party | | - | - | 10,000,000 | - | - |
| Current portion of long-term loans | 23 | 103,000,000 | 175,000,000 | 100,000,000 | 78,000,000 | 75,000,000 |
| Current portion of liabilities under finance lease agreements | 24 | 573,000 | 573,000 | - | - | - |
| Income tax payable | | 47,436,257 | 59,344,403 | 41,318,141 | 7,235,278 | 17,713,469 |
| Other current liabilities | 22 | 49,214,529 | 63,983,016 | 89,248,923 | 31,557,089 | 44,267,420 |
| Total current liabilities | | 2,259,176,016 | 2,402,928,108 | 1,899,600,883 | 1,097,867,793 | 845,214,501 |
| Non-current liabilities | | | | | | |
| Long-term loans - net of current portion | 23 | 133,513,147 | 176,394,370 | 75,000,000 | 96,013,147 | 113,894,370 |
| Liabilities under finance lease agreements - net of current portion | 24 | 832,983 | 1,257,218 | - | - | - |
| Provision for long-term employee benefits | 25 | 56,477,335 | 67,532,277 | 55,133,170 | 24,931,630 | 30,599,398 |
| Deferred tax liabilities | 28 | 5,463,169 | - | - | - | - |
| Total non-current liabilities | | 196,286,634 | 245,183,865 | 130,133,170 | 120,944,777 | 144,493,768 |
| Total liabilities | | 2,455,462,650 | 2,648,111,973 | 2,029,734,053 | 1,218,812,570 | 989,708,269 |

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 2016

(Unit: Baht)

| | Consolidated financial statements | | | Separate financial statements | |
|---|-----------------------------------|------------------|------------------|-------------------------------|------------------|
| | As at | As at | As at | As at | As at |
| | Note | 31 December 2016 | 31 December 2015 | 1 January 2015 | 31 December 2016 |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 820,000,000 ordinary shares of Baht 1 each | | 820,000,000 | 820,000,000 | 820,000,000 | 820,000,000 |
| Issued and fully paid-up | | | | | |
| 820,000,000 ordinary shares of Baht 1 each | | 820,000,000 | 820,000,000 | 820,000,000 | 820,000,000 |
| 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 | | | | | |
| 26 | | 107,472,798 | 107,122,983 | 103,071,298 | 82,000,000 |
| Unappropriated | | | | | |
| | | 1,966,151,096 | 1,725,637,966 | 1,582,266,632 | 1,680,808,056 |
| Other components of shareholders' equity | | | | | |
| | | (7,258,437) | (7,212,969) | 1,362,262 | (679,360) |
| Equity attributable to owners of the Company | | | | | |
| | | 3,133,604,822 | 2,892,787,345 | 2,753,939,557 | 2,829,368,061 |
| Non-controlling interests of the subsidiaries | | | | | |
| | | 358,693,861 | 330,375,528 | 339,923,246 | - |
| Total shareholders' equity | | | | | |
| | | 3,492,298,683 | 3,223,162,873 | 3,093,862,803 | 2,829,368,061 |
| Total liabilities and shareholders' equity | | | | | |
| | | 5,947,761,333 | 5,871,274,846 | 5,123,596,856 | 4,048,180,631 |

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 2016

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|--------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Sales | | 8,267,427,401 | 8,196,978,004 | 6,153,508,271 | 6,329,287,950 |
| Dividend income | 6, 11 | 28,376 | 190,725 | 84,961,235 | 34,197,991 |
| Gain from change in fair value of biological assets | | 8,752,300 | - | - | - |
| Other income | 6 | 75,365,885 | 93,643,110 | 98,954,727 | 107,102,157 |
| Total revenues | | 8,351,573,962 | 8,290,811,839 | 6,337,424,233 | 6,470,588,098 |
| Expenses | | | | | |
| Cost of sales | 27 | 6,984,829,231 | 6,920,711,992 | 5,667,003,783 | 5,674,005,937 |
| Selling expenses | | 661,713,694 | 674,119,134 | 404,155,612 | 430,852,931 |
| Administrative expenses | | 200,368,362 | 214,185,613 | 105,606,481 | 110,391,098 |
| Loss on impairment of assets | 16, 17 | - | 35,000,000 | - | - |
| Total expenses | | 7,846,911,287 | 7,844,016,739 | 6,176,765,876 | 6,215,249,966 |
| Profit before share of profit (loss) from investment in joint venture, finance cost and income tax expenses | | 504,662,675 | 446,795,100 | 160,658,357 | 255,338,132 |
| Share of profit (loss) from investment in joint venture | 12 | (11,320,717) | 5,222,219 | - | - |
| Profit before finance cost and income tax expenses | | 493,341,958 | 452,017,319 | 160,658,357 | 255,338,132 |
| Finance cost | | (43,520,872) | (48,033,418) | (12,212,921) | (10,489,059) |
| Profit before income tax expenses | | 449,821,086 | 403,983,901 | 148,445,436 | 244,849,073 |
| Income tax expenses | 28 | (94,939,643) | (94,702,679) | (10,329,437) | (40,377,336) |
| Profit for the year | | 354,881,443 | 309,281,222 | 138,115,999 | 204,471,737 |
| Other comprehensive income: | | | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Loss on changes in value of available-for-sale investments | | (56,835) | (1,263,657) | (56,835) | (1,263,657) |
| Less: Income tax effect | 28 | 11,367 | 252,732 | 11,367 | 252,732 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax | | (45,468) | (1,010,925) | (45,468) | (1,010,925) |
| Other comprehensive income for the year | | (45,468) | (1,010,925) | (45,468) | (1,010,925) |
| Total comprehensive income for the year | | 354,835,975 | 308,270,297 | 138,070,531 | 203,460,812 |

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 2016

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|---------------------------|-------------------------------|--------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 330,580,544 | 311,416,392 | <u>138,115,999</u> | <u>204,471,737</u> |
| Non-controlling interests of the subsidiaries | | <u>24,300,899</u> | <u>(2,135,170)</u> | | |
| | | <u><u>354,881,443</u></u> | <u><u>309,281,222</u></u> | | |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 330,535,076 | 310,405,467 | <u>138,070,531</u> | <u>203,460,812</u> |
| Non-controlling interests of the subsidiaries | | <u>24,300,899</u> | <u>(2,135,170)</u> | | |
| | | <u><u>354,835,975</u></u> | <u><u>308,270,297</u></u> | | |
| Basic earnings per share | | | | | |
| | 30 | | | | |
| Profit attributable to equity holders | | | | | |
| of the Company | | <u>0.40</u> | <u>0.38</u> | <u>0.17</u> | <u>0.25</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 2016

(Unit: Baht)

| Consolidated financial statements | | | | | | | | | | | | |
|---|------|--|--------------------|---------------------------|----------------------------------|----------------------|--|---|-----------------------------|-----------------------------|---|----------------------|
| Equity attributable to the owners of the Company | | | | | | | | | | | | |
| | Note | Equity attributable to the owners of the Company | | | | | Other components of equity | | | | | Total |
| | | | | | | | Other comprehensive income | | Other changes by the owners | | Surplus (deficit) on changes in value of available-for-sale investments | |
| | | Issued and paid up share capital | Share premium | Premium on treasury stock | Retained earnings | | in value of available-for-sale investments | Surplus (deficit) on changes in subsidiary shareholding | shareholders' equity | shareholders of the Company | interests of the subsidiaries | shareholders' equity |
| | | | | | Appropriated - statutory reserve | Unappropriated | | | | | | |
| Balance as at 1 January 2015 | | 820,000,000 | 241,970,265 | 5,269,100 | 103,071,298 | 1,582,266,632 | 377,033 | 985,229 | 1,362,262 | 2,753,939,557 | 339,923,246 | 3,093,862,803 |
| Profit for the year | | - | - | - | - | 311,416,392 | - | - | - | 311,416,392 | (2,135,170) | 309,281,222 |
| Other comprehensive income for the year | | - | - | - | - | - | (1,010,925) | - | (1,010,925) | (1,010,925) | - | (1,010,925) |
| Total comprehensive income for the year | | - | - | - | - | 311,416,392 | (1,010,925) | - | (1,010,925) | 310,405,467 | (2,135,170) | 308,270,297 |
| Dividend paid | 33 | - | - | - | - | (164,000,000) | - | - | - | (164,000,000) | - | (164,000,000) |
| Reversal of prior year dividend | | - | - | - | - | 4,942 | - | - | - | 4,942 | - | 4,942 |
| Appropriation of statutory reserve of subsidiary | | - | - | - | 4,002,538 | (4,050,000) | - | - | - | (47,462) | 47,462 | - |
| Acquisition of non-controlling interests of subsidiary | | - | - | - | 49,147 | - | - | (7,564,306) | (7,564,306) | (7,515,159) | 7,125,059 | (390,100) |
| Decrease in non-controlling interests from dividend payment of subsidiary | | - | - | - | - | - | - | - | - | - | (14,585,069) | (14,585,069) |
| Balance as at 31 December 2015 | | <u>820,000,000</u> | <u>241,970,265</u> | <u>5,269,100</u> | <u>107,122,983</u> | <u>1,725,637,966</u> | <u>(633,892)</u> | <u>(6,579,077)</u> | <u>(7,212,969)</u> | <u>2,892,787,345</u> | <u>330,375,528</u> | <u>3,223,162,873</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 2016

(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 | Deficit on changes in value of available-for-sale investments | | | |
| Balance as at 1 January 2016 | | 820,000,000 | 241,970,265 | 5,269,100 | 107,122,983 | 1,725,637,966 | (633,892) | (6,579,077) | (7,212,969) | 2,892,787,345 | 330,375,528 | 3,223,162,873 |
| Cumulative effect of change in accounting policy for agriculture (Note 3) | | - | - | - | - | 33,399,213 | - | - | - | 33,399,213 | 14,339,180 | 47,738,393 |
| Profit for the year | | - | - | - | - | 330,580,544 | - | - | - | 330,580,544 | 24,300,899 | 354,881,443 |
| Other comprehensive income for the year | | - | - | - | - | - | (45,468) | - | (45,468) | (45,468) | - | (45,468) |
| Total comprehensive income for the year | | - | - | - | - | 330,580,544 | (45,468) | - | (45,468) | 330,535,076 | 24,300,899 | 354,835,975 |
| Dividend paid | 33 | - | - | - | - | (123,000,000) | - | - | - | (123,000,000) | - | (123,000,000) |
| Reversal of prior year dividend | | - | - | - | - | 33,373 | - | - | - | 33,373 | - | 33,373 |
| Appropriation of statutory reserve of subsidiary | | - | - | - | 349,815 | (500,000) | - | - | - | (150,185) | 150,185 | - |
| Decrease in non-controlling interests from dividend payment of subsidiary | | - | - | - | - | - | - | - | - | - | (10,471,931) | (10,471,931) |
| Balance as at 31 December 2016 | | <u>820,000,000</u> | <u>241,970,265</u> | <u>5,269,100</u> | <u>107,472,798</u> | <u>1,966,151,096</u> | <u>(679,360)</u> | <u>(6,579,077)</u> | <u>(7,258,437)</u> | <u>3,133,604,822</u> | <u>358,693,861</u> | <u>3,492,298,683</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 2016

(Unit: Baht)

| Separate financial statements | | | | | | | | |
|---|--|--------------------|------------------------------|-------------------------------------|----------------------|-----------------------------------|------------------|----------------------|
| | | | | | | <u>Other components of equity</u> | | |
| | | | | | | Other | | |
| | | | | | | comprehensive | | |
| | | | | | | <u>income</u> | | |
| | | | | | | Surplus (deficit) | | |
| | | | | | | on changes | Total other | |
| | | | | | | in value of | components of | Total |
| | | | | | | available-for-sale | shareholders' | shareholders' |
| Note | Issued and paid up share capital | Share premium | Premium on treasury stock | <u>Retained earnings</u> | | investments | equity | equity |
| | | | | Appropriated - statutory reserve | Unappropriated | | | |
| Balance as at 1 January 2015 | 820,000,000 | 241,970,265 | 5,269,100 | 82,000,000 | 1,625,182,005 | 377,033 | 377,033 | 2,774,798,403 |
| Profit for the year | - | - | - | - | 204,471,737 | - | - | 204,471,737 |
| Other comprehensive income for the year | - | - | - | - | - | (1,010,925) | (1,010,925) | (1,010,925) |
| Total comprehensive income for the year | - | - | - | - | 204,471,737 | (1,010,925) | (1,010,925) | 203,460,812 |
| Dividend paid | - | - | - | - | (164,000,000) | - | - | (164,000,000) |
| Reversal of prior year dividend | - | - | - | - | 4,942 | - | - | 4,942 |
| Balance as at 31 December 2015 | <u>820,000,000</u> | <u>241,970,265</u> | <u>5,269,100</u> | <u>82,000,000</u> | <u>1,665,658,684</u> | <u>(633,892)</u> | <u>(633,892)</u> | <u>2,814,264,157</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 2016

(Unit: Baht)

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

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 2016

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|--------------------|-------------------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cash flows from operating activities | | | | |
| Profit before tax | 449,821,086 | 403,983,901 | 148,445,436 | 244,849,073 |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 246,660,431 | 243,803,729 | 98,593,093 | 88,344,494 |
| Gain from change in fair value of biological assets | (8,752,300) | - | - | - |
| Share of (profit) loss from investment in joint venture | 11,320,717 | (5,222,219) | - | - |
| Gain on disposal of other long-term investment | - | (225,000) | - | (225,000) |
| Increase in allowance for doubtful accounts | 5,305,953 | 1,025,008 | 6,330,870 | 246,817 |
| Bad debt write-off | 95,927 | - | - | - |
| Increase (decrease) in allowance for diminution in inventory value | 8,660,993 | 13,241,926 | (311,684) | 343,396 |
| Increase (decrease) in allowance for impairment loss of assets | (266,262) | 35,000,000 | - | - |
| Loss on write-off of property, plant and equipment | 5,934 | - | 5,934 | - |
| Gain on disposals of property, plant and equipment | (333,839) | (1,398,808) | (755,899) | (871,186) |
| Loss on write-off of cost of palm plantation | 7,094,535 | 5,515,730 | - | - |
| Unrealised loss (gain) on exchange | (683,130) | 690,096 | (111,423) | 551,744 |
| Provision for long-term employee benefits | 10,647,856 | 32,067,862 | 4,920,697 | 17,862,574 |
| Dividend income from subsidiary | - | - | (84,932,859) | (34,007,266) |
| Dividend income from other companies | (28,376) | (190,725) | (28,376) | (190,725) |
| Interest expenses | 40,603,158 | 44,766,335 | 10,499,363 | 8,349,622 |
| Profit from operating activities before changes in operating assets and liabilities | 770,152,683 | 773,057,835 | 182,655,152 | 325,253,543 |
| Decrease (increase) in operating assets | | | | |
| Trade and other receivables | 235,799,567 | (250,829,564) | 133,680,236 | (108,220,813) |
| Inventories | (320,545,180) | 161,337,049 | (364,854,903) | 78,999,431 |
| Other current assets | 6,006,709 | (4,856,440) | (3,006,419) | 1,482,100 |
| Other non-current assets | (25,516,406) | 4,859,342 | - | 32,999 |
| Increase (decrease) in operating liabilities | | | | |
| Trade and other payables | 21,919,452 | 58,331,744 | 8,565,774 | 30,456,161 |
| Other current liabilities | (14,565,038) | (25,869,330) | (12,325,828) | (7,172,703) |
| Provision for long-term employee benefits | (21,702,798) | (19,668,755) | (10,588,465) | (17,716,870) |
| Cash from (used in) operating activities | 651,548,989 | 696,361,881 | (65,874,453) | 303,113,848 |
| Cash paid for interest expenses | (41,159,827) | (45,995,900) | (10,537,562) | (8,332,848) |
| Cash paid for corporate income tax | (104,538,368) | (83,233,077) | (20,877,912) | (45,491,580) |
| Net cash from (used in) operating activities | 505,850,794 | 567,132,904 | (97,289,927) | 249,289,420 |

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 2016

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cash flows from investing activities | | | | |
| Increase in investment in subsidiary | - | (390,100) | - | (380,100) |
| Dividend received from subsidiaries | - | - | 84,932,859 | 34,007,266 |
| Dividend received from joint venture | 1,999,999 | 5,625,000 | - | - |
| Dividend received from other companies | 28,376 | 190,725 | 28,376 | 190,725 |
| Decrease (increase) in other long-term investments | (5,000) | 1,200,000 | (5,000) | 1,200,000 |
| Decrease (increase) in long-term loan to unrelated party | 1,260,000 | (61,740,000) | - | - |
| Cash paid for acquisitions of investment properties | - | (75,000) | - | - |
| Acquisitions of property, plant and equipment | (235,392,183) | (579,308,659) | (116,327,935) | (331,553,988) |
| Proceeds from disposals of property, plant and equipment | 2,313,872 | 6,133,256 | 1,014,309 | 1,787,152 |
| Increase in cost of palm plantation | (31,039,287) | (36,495,392) | - | - |
| Increase in intangible assets | (445,395) | (2,959,770) | (81,000) | (680,770) |
| Net cash used in investing activities | (261,279,618) | (667,819,940) | (30,438,391) | (295,429,715) |
| Cash flows from financing activities | | | | |
| Increase (decreases) in short-term loans from financial institutions | (55,000,123) | 380,000,123 | 275,000,000 | 115,000,000 |
| Decrease in short-term loan from related party | - | (10,000,000) | - | - |
| Repayment of liabilities under finance lease agreements | (424,235) | (38,941) | - | - |
| Cash received from long-term loans | 43,618,777 | 288,894,370 | 43,618,777 | 188,894,370 |
| Repayment of long-term loans | (158,500,000) | (112,500,000) | (58,500,000) | - |
| Dividend paid | (133,823,061) | (178,526,155) | (123,351,130) | (163,941,086) |
| Net cash from (used in) financing activities | (304,128,642) | 367,829,397 | 136,767,647 | 139,953,284 |
| Net increase (decrease) in cash and cash equivalents | | | | |
| | (59,557,466) | 267,142,361 | 9,039,329 | 93,812,989 |
| Cash and cash equivalents at beginning of the year | 479,942,874 | 212,800,513 | 121,706,095 | 27,893,106 |
| Cash and cash equivalents at end of the year (Note 7) | 420,385,408 | 479,942,874 | 130,745,424 | 121,706,095 |

Supplementary disclosures of cash flows information

Non-cash transactions

| | | | | |
|--|-----------|------------|-----------|------------|
| Acquisitions of plant and equipment that have not been paid | 5,833,346 | 17,226,118 | 2,825,731 | 13,444,445 |
| Transferred palm nursery to inventory account | - | 7,312,955 | - | - |
| Transferred property, plant and equipment to intangible assets | 1,070,819 | - | 1,070,819 | - |
| Equipment acquired under finance lease agreements | - | 1,869,159 | - | - |

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 2016

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>2016</u> Percent | <u>2015</u> Percent |
| <u>Subsidiaries directly held by the Company</u> | | | | |
| United Palm Oil Industry Public Company Limited | Palm oil plantation, crude palm oil and kernel palm oil processing | Thailand | 69.96 | 69.96 |
| Universal Food Public Company Limited | Manufacture and distribution of processed fruits and vegetables, canned juice and drinks | Thailand | 98.83 | 98.83 |
| <u>Subsidiary held by United Palm Oil Industry Public Company Limited</u> | | | | |
| Phansrivivat Company Limited | Owner of palm oil plantation | Thailand | 100 | 100 |

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|--|--|--------------------------|----------------------------|------------------------|
| | | | <u>2016</u> Percent | <u>2015</u> Percent |
| <u>Joint venture entity held by United Palm Oil Industry Public Company Limited</u> | | | | |
| Siam Elite Palm Company Limited | Production and distribution of palm oil seeds | Thailand | 50 | 50 |
| <u>Subsidiaries held by Phansrivivat Company Limited</u> | | | | |
| Prachak Vivat Company Limited | Holder of concessions to use forest reserve land | Thailand | 100 | 100 |
| Phansri Company Limited | Holder of concessions to use forest reserve land | Thailand | 100 | 100 |
| <u>Subsidiary held by Universal Food Public Company Limited</u> | | | | |
| Union Frost Company Limited | Manufacture of frozen fruits and vegetables | Thailand | 100 | 100 |

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

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same reporting period and the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

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

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which became effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements except for the following new financial reporting standard and accounting treatment guidance.

TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant

TAS 41 and the Accounting Treatment Guidance for bearer plants prescribe the accounting treatment for living animals or plants ("biological assets") and the harvested produce of such biological assets ("agricultural produce") related to an agricultural activity. The principles are as follows:

- A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- When the biological asset is a bearer plant, accounting treatment in accordance with TAS 16 (revised 2015) Property, Plant and Equipment is to be applied. However, product growing on a bearer plant is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

Applying this accounting standard requires a subsidiary to record biological assets from palm fruit on tree for the first time, measured at fair value less point of harvest costs. It also requires a change in its accounting treatment for biological assets and agricultural produce, with palm nursery for sale and palm fresh fruit bunch, which were previously recognised at cost, being recognised at fair value less costs to sell. The Company has elected to recognise the cumulative effect of the change as an adjustment to the opening balance of retained earnings as at 1 January 2016.

The change has the effect of increasing the opening balance of retained earnings and equity attributable to non-controlling interests of the subsidiaries in the consolidated financial statements as at 1 January 2016 by Baht 33.4 million and Baht 14.3 million, respectively (net of income tax). The cumulative effect of the change in accounting policy is presented as a separate item in the statement of changes in shareholders' equity.

Moreover, the change also has the effect of the subsidiary's profit (net of income tax) due to the change in fair value of biological assets and agricultural produce during the year as below.

(Unit: Million Baht)

Consolidated financial statements

Profit or loss:

| | |
|--|---------|
| Decrease in profit (net of income tax) | (3,531) |
|--|---------|

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company's and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate 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) Investments in joint venture and associate are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

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

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

4.6 Investment properties

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

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

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

4.7 Property, plant and equipment and depreciation

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

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

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

Depreciation is included in determining income.

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

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

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

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

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

Amortisation is included in determining income.

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

Costs of supplying palm vacancies and infilling mature areas are 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> |
|-------------------|---------------------|
| Computer software | 5 years |

4.11 Agriculture

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

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

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

The agricultural produce is included in inventories.

4.12 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.

4.13 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.

4.14 Related party transactions

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

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

4.15 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.

4.16 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.17 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 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.

4.18 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.

4.19 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Post-employment benefits and other long-term employee benefits

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

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

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.

4.20 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.

4.21 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.

4.22 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.

4.23 Fair value measurement

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

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

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

5. Significant accounting judgements and estimates

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

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

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

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

Agriculture

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

Goodwill

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

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

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

Contingent liabilities

The subsidiary has contingent liabilities as a result of the land exploit right issue. The management has used judgement to assess of 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 financial statements | | Separate financial statements | | Transfer Pricing Policy |
|---|---|-------------|-------------------------------------|-------------|--|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | |
| <u>Transactions with subsidiaries</u> | | | | | |
| (eliminated from the consolidated financial statements) | | | | | |
| Purchases of raw materials | - | - | 516 | 750 | Market prices on the contract date |
| Purchases of goods and services | - | - | 709 | 688 | Market prices less fixed margin |
| Sales of goods and services | - | - | 1 | 1 | Market price |
| Dividend income | - | - | 85 | 34 | At the declared rate |
| Rental income | - | - | 2 | 2 | Market price |
| Selling and administrative service income | - | - | 68 | 71 | Actual charge |
| <u>Transactions with related companies</u> | | | | | |
| Sales of goods | 161 | 112 | - | - | Price approximates market price |
| Purchases of goods | 2 | 3 | - | - | Price less marketing expenses and margin |
| Selling expenses | 19 | 12 | - | 1 | Actual charge |
| <u>Transactions with joint venture of subsidiary</u> | | | | | |
| Purchases of oil palm seeds and fresh fruit bunch | 17 | 18 | - | - | Market price |
| Land rental income | 1 | 1 | - | - | Agreed between the parties |
| Dividend income | 2 | 6 | - | - | As declared by joint venture |

As at 31 December 2016 and 2015, the balances of accounts between the Company and those related parties are detailed as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|---------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| <u>Trade and other receivables - related parties</u> (Note 8) | | | | |
| Subsidiaries | - | - | 20,261 | 12,426 |
| Associated company | 452 | 452 | - | - |
| Related companies (related by common shareholders) | 42,719 | 51,487 | - | 14 |
| Total trade and other receivables - related parties | 43,171 | 51,939 | 20,261 | 12,440 |
| Less: Allowance for doubtful accounts | (20,780) | (20,780) | - | - |
| Total trade and other receivables - related parties - net | <u>22,391</u> | <u>31,159</u> | <u>20,261</u> | <u>12,440</u> |
| <u>Short-term loans to related parties</u> | | | | |
| Associated company | 40,286 | 40,286 | - | - |
| Related companies (related by common shareholders) | 5,325 | 5,325 | - | - |
| Total short-term loans - related parties | 45,611 | 45,611 | - | - |
| Less: Allowance for doubtful accounts | (45,611) | (45,611) | - | - |
| Total short-term loans to related parties - net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Trade and other payables - related parties</u> (Note 21) | | | | |
| Subsidiaries | - | - | 139,954 | 141,397 |
| Related companies (related by common shareholders) | 2,052 | 9,568 | - | - |
| Total trade and other payables - related parties | <u>2,052</u> | <u>9,568</u> | <u>139,954</u> | <u>141,397</u> |

Short-term loans to related parties

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

Selling and administrative service income

On 7 November 2011, the Company and Universal Food Public Company Limited (“UFC”), a subsidiary, entered into a memorandum related to the agency agreement dated 27 February 2006 whereby both parties agreed to change the terms and conditions on dealer compensation to comply with the general practice in the industry. The contract expired on 31 December 2016. The Company and UFC agreed to extend the agreement for another 5 years, starting from 1 January 2017 and expiring on 31 December 2022.

Directors and management’s remuneration

During the years ended 31 December 2016 and 2015, 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 148 million and Baht 142 million, respectively (the Company only: Baht 82 million and Baht 80 million, respectively).

7. Cash and cash equivalents

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--------------------------------------|----------------------|----------------|----------------------|----------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Cash | 4,220 | 3,893 | 1,237 | 943 |
| Bank deposits | 386,170 | 476,050 | 129,508 | 120,763 |
| Investment in Bank of Thailand bonds | 29,995 | - | - | - |
| Total | <u>420,385</u> | <u>479,943</u> | <u>130,745</u> | <u>121,706</u> |

As at 31 December 2016, bank deposits in savings accounts, fixed deposits and investment in Bank of Thailand Bond carried interests between 0.05 and 1.45 percent per annum (2015: between 0.05 and 0.85 percent per annum).

8. Trade and other receivables

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|------------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| <u>Trade receivables - related parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 21,471 | 22,402 | - | 29 |
| Past due | | | | |
| Up to 3 months | 906 | 8,730 | - | - |
| 6 - 12 months | 12 | - | - | - |
| Over 12 months | 452 | 452 | - | - |
| Total | 22,841 | 31,584 | - | 29 |
| Less: Allowance for doubtful accounts | (452) | (452) | - | - |
| Total trade receivables - related parties - net | 22,389 | 31,132 | - | 29 |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Post dated cheques receivable | 35,911 | 29,469 | 35,911 | 29,469 |
| Cheque returned | 19,224 | 13,595 | 14,261 | 8,632 |
| Not yet due | 688,743 | 912,527 | 635,950 | 728,634 |
| Past due | | | | |
| Up to 3 months | 151,702 | 171,152 | 88,648 | 152,492 |
| 3 - 6 months | 7,984 | 141 | 911 | 75 |
| 6 - 12 months | 2,060 | 1,207 | 1,724 | 38 |
| Over 12 months | 28,557 | 28,423 | 2,483 | 2,314 |
| Total | 934,181 | 1,156,514 | 779,888 | 921,654 |
| Less: Allowance for doubtful accounts | (49,094) | (43,709) | (16,767) | (10,436) |
| Total trade receivables - unrelated parties - net | 885,087 | 1,112,805 | 763,121 | 911,218 |
| Total trade receivables - net | 907,476 | 1,143,937 | 763,121 | 911,247 |
| <u>Other receivables</u> | | | | |
| Other receivables - related parties | 2 | 27 | 3,748 | 1,113 |
| Other receivables - unrelated parties | 3,808 | 7,096 | 2,078 | 1,769 |
| Accrued income - related parties | - | - | 16,513 | 11,298 |
| Accrued income - unrelated parties | 467 | 1,120 | - | - |
| Advances - related parties | 20,328 | 20,328 | - | - |
| Advances - unrelated parties | 677 | 712 | - | - |
| Total | 25,282 | 29,283 | 22,339 | 14,180 |
| Less: Allowance for doubtful accounts | (20,957) | (20,957) | (629) | (629) |
| Total other receivables - net | 4,325 | 8,326 | 21,710 | 13,551 |
| Total trade and other receivables - net | 911,801 | 1,152,263 | 784,831 | 924,798 |

9. Inventories

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | |
|-----------------------------------|------------------|------------------|--|-----------------|-------------------|------------------|
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | Finished goods | 557,047 | 590,862 | (27,382) | (19,584) | 529,665 |
| Work in process | 655,974 | 365,201 | - | - | 655,974 | 365,201 |
| Raw materials | 98,386 | 91,149 | (12,614) | (13,743) | 85,772 | 77,406 |
| Inventories in transit | 18,535 | 2,277 | - | - | 18,535 | 2,277 |
| Supplies and spare parts | 143,102 | 116,361 | (7,157) | (5,165) | 135,945 | 111,196 |
| Total | 1,473,044 | 1,165,850 | (47,153) | (38,492) | 1,425,891 | 1,127,358 |

(Unit: Thousand Baht)

| Separate financial statements | | | | | | |
|-------------------------------|----------------|----------------|--|--------------|-------------------|----------------|
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | Finished goods | 145,211 | 100,852 | - | - | 145,211 |
| Work in process | 653,393 | 363,535 | - | - | 653,393 | 363,535 |
| Raw materials | 69,240 | 52,098 | - | - | 69,240 | 52,098 |
| Inventories in transit | 18,535 | 2,277 | - | - | 18,535 | 2,277 |
| Supplies and spare parts | 28,928 | 31,691 | (139) | (451) | 28,789 | 31,240 |
| Total | 915,307 | 550,453 | (139) | (451) | 915,168 | 550,002 |

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 8.7 million (2015: Baht 13.2 million) to reflect the net realisable value. This was included in cost of sales. (The Company only: reversed the write-down of cost of inventories by Baht 0.3 million, and reduced the amount of inventories recognised as expenses during the year (2015: reduced cost of inventories by Baht 0.3 million, which was included in cost of sales)).

In the year 2016, the subsidiaries have changed its accounting treatment of agricultural produce - palm fresh fruit bunch, from recognition at cost to recognition at fair value less costs to sell. The change has the effect of decreasing the opening balance of inventories and the opening balance of retained earnings in the consolidated financial statements by Baht 5 million, as described in Note 3 to the financial statements.

10. Biological assets

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | |
|--|-----------------------------------|-----------------------|---------------|
| | Nursery for sales | Palm fruit on tree | Total |
| Balance as at 1 January 2016 | 22,279 | - | 22,279 |
| Cumulative effect of change in accounting policy for agriculture (Note 3) | 23,471 | 20,265 | 43,736 |
| Gain from changes in fair value | 20,621 | 316,631 | 337,252 |
| Increases from cultivate | 4,006 | - | 4,006 |
| Decreases from harvest | - | (306,646) | (306,646) |
| Decreases from sales | (17,080) | - | (17,080) |
| Balance as at 31 December 2016 | <u>53,297</u> | <u>30,250</u> | <u>83,547</u> |

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

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

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

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

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

(Unit: Thousand Baht)

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

11. Investments in subsidiaries

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

(Unit: Thousand Baht)

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | | Dividend received during the year | |
|--|-----------------|---------|-------------------------|---------|------------------|------------------|-----------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | Percent | Percent | | | | |
| United Palm Oil Industry Public Company Limited | 324,050 | 324,050 | 69.96 | 69.96 | 748,344 | 748,344 | 22,672 | 34,007 |
| Universal Food Public Company Limited | 525,000 | 525,000 | 98.83 | 98.83 | 585,623 | 585,623 | 62,261 | - |
| Total | | | | | 1,333,967 | 1,333,967 | 84,933 | 34,007 |
| Less: Allowance for impairment loss of investments | | | | | (21,096) | (21,096) | | |
| Total investments in subsidiaries - net | | | | | 1,312,871 | 1,312,871 | | |

As at 31 December 2016, the fair value of the investment in United Palm Oil Industry Public Company Limited, calculated based on latest bid price of the shares on the last trading day of the period as quoted on the Stock Exchange of Thailand and in proportion to the Company's shareholding, was approximately Baht 1,621 million (2015: Baht 1,056 million).

11.2 Goodwill

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

(Unit: Thousand Baht)

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

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

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

| | (Unit: Percent per annum) | |
|------------------------|------------------------------------|--|
| | United Palm Oil | |
| | Industry Public Company Limited | Universal Food Public Company Limited |
| Growth rate | 2.0 | 2.0 |
| Pre-tax discount rates | 10.2 | 6.6 |

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

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

12. Investment in joint venture

12.1 Details of investment in joint venture

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

| Joint venture | Nature of business | (Unit: Thousand Baht) | | | | | |
|------------------------------|--|-----------------------------------|-------------|------------------|---------------|------------------------|---------------|
| | | Consolidated financial statements | | | | | |
| | | Shareholding | | Cost | | Carrying amounts based | |
| | | percentage | | on equity method | | | |
| | | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | | (%) | (%) | | | | |
| Siam Elite Palm Co., Ltd. | Production and distribution of oil palm seeds | 50 | 50 | 25,000 | 25,000 | 42,353 | 39,281 |
| Total | | | | <u>25,000</u> | <u>25,000</u> | <u>42,353</u> | <u>39,281</u> |

12.2 Share of profit (loss) and dividend received

During the years, the subsidiary recognised its share of profit (loss) from investment in the joint venture in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

| Joint venture | Consolidated financial statements | | | |
|---------------------------|-----------------------------------|-------|-------------------|-------|
| | Share of profit (loss) | | Dividend received | |
| | 2016 | 2015 | 2016 | 2015 |
| Siam Elite Palm Co., Ltd. | (11,321) | 5,222 | 2,000 | 5,625 |
| Total | (11,321) | 5,222 | 2,000 | 5,625 |

12.3 Summarised financial information about joint venture

Siam Elite Palm Company Limited

Summarised information about financial position

(Unit: Thousand Baht)

| | As at 31 December | |
|---|-------------------|---------------|
| | 2016 | 2015 |
| Current assets | 58,373 | 41,901 |
| Non-current assets | 36,828 | 44,033 |
| Total assets | 95,201 | 85,934 |
| Current liabilities | (7,363) | (4,481) |
| Non-current liabilities | (3,132) | (2,892) |
| Total liabilities | (10,495) | (7,373) |
| Net assets | 84,706 | 78,561 |
| Shareholding percentage (%) | 50 | 50 |
| Share of net assets | 42,353 | 39,281 |
| Elimination entries | - | - |
| Carrying amounts of joint venture based on equity method | 42,353 | 39,281 |

Summarised information about comprehensive income

(Unit: Thousand Baht)

| | For the years ended 31 December | |
|---|---------------------------------|--------------|
| | <u>2016</u> | <u>2015</u> |
| Revenue | 46,364 | 47,137 |
| Loss from change in fair value of biological assets | (24,347) | - |
| Cost of sales | (24,874) | (18,501) |
| Selling and administrative expenses | (19,724) | (24,008) |
| Profit (loss) before income tax expenses | (22,581) | 4,628 |
| Income tax expenses | (61) | (560) |
| Profit (loss) for the year | (22,642) | 4,068 |
| Other comprehensive income | - | - |
| Total comprehensive income | (22,642) | 4,068 |
| Shareholding percentage (%) | 50 | 50 |
| Comprehensive income as shareholding percentage | (11,321) | 2,034 |
| Elimination entries | - | 3,188 |
| Share of comprehensive income from investment in joint venture | (11,321) | 5,222 |

13. Investment in associated company

| Company's name | Nature of business | Country of incorporation | Consolidated financial statements | | | |
|-----------------------|--------------------|--------------------------|-----------------------------------|--------------|-------------------------|---------|
| | | | Paid-up capital | | Shareholding percentage | |
| | | | 2016 | 2015 | 2016 | 2015 |
| | | | Million Baht | Million Baht | Percent | Percent |
| Union Fresh Co., Ltd. | Dormant | Thailand | 30 | 30 | 40 | 40 |

(Unit: Thousand Baht)

| Company's name | Consolidated financial statements | | | | | | | |
|-----------------------|-----------------------------------|--------|---|----------|--|------|--|------|
| | Cost | | Allowance for impairment loss of investment | | Carrying amount based on cost method - net | | Carrying amount based on equity method | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | | | | | | |
| Union Fresh Co., Ltd. | 12,000 | 12,000 | (12,000) | (12,000) | - | - | - | - |

14. Other long-term investments

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|--------------|----------------------|--------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Other long-term investments - cost | | | | |
| <u>Equity securities</u> | | | | |
| Ichitan Group Plc. | 975 | 975 | 975 | 975 |
| Open-ended Kumlai Perm Poon Fund | 1,000 | 1,000 | 1,000 | 1,000 |
| Open-ended TCM Equity Fund | 300 | 300 | 300 | 300 |
| Open-ended Kiatnakin Fund | 200 | 200 | 200 | 200 |
| Datamat Plc. | 16 | 16 | 16 | 16 |
| Standard Chartered Bank (Thai) Plc. | 2 | 2 | 2 | 2 |
| Phracharat Laksammakkee Trang | 5 | - | 5 | - |
| Total | 2,498 | 2,493 | 2,498 | 2,493 |
| Less: Unrealised loss on changes in value of investments | (849) | (792) | (849) | (792) |
| Other long-term investments - fair value | 1,649 | 1,701 | 1,649 | 1,701 |

15. Long-term loans to other companies

As at 31 December 2016, a subsidiary had non-collateral loans to other companies, amounting to approximately of Baht 60.5 million (2015: Baht 61.7 million). The loans carry interest at a rate of THBFIX plus 1% per annum and are due for repayment end of June and December of every year with the last payment in June 2040.

16. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

As at 31 December 2015

| | Consolidated financial statements | | | Separate financial statements | | |
|--------------------------------|-----------------------------------|--------------|---------------|-------------------------------|------------|--------------|
| | Office | | Total | Office | | Total |
| | Land | building | | Land | building | |
| Cost | 63,795 | 142,296 | 206,091 | 5,615 | 33,973 | 39,588 |
| Less: Accumulated depreciation | - | (77,476) | (77,476) | - | (33,025) | (33,025) |
| Allowance for impairment | (4,838) | (58,755) | (63,593) | - | - | - |
| Net book value | <u>58,957</u> | <u>6,065</u> | <u>65,022</u> | <u>5,615</u> | <u>948</u> | <u>6,563</u> |

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---------------------------------------|----------------------|---------------|----------------------|--------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Net book value at beginning of year | 65,022 | 86,530 | 6,563 | 8,261 |
| Acquisition during the year | - | 75 | - | - |
| Depreciation for the year | (668) | (4,507) | (945) | (1,698) |
| Recording of allowance for impairment | - | (17,076) | - | - |
| Net book value at end of year | <u>64,354</u> | <u>65,022</u> | <u>5,618</u> | <u>6,563</u> |

The fair value of land and office building of the Company as at 31 December 2016 was determined at approximately Baht 30 million (2015: Baht 26 million) using the income approach. The assumption used in the valuation was based on the Company's internal data.

The fair value of land and building of the subsidiary was determined based on valuation performed by an independent professional valuer. As at 31 December 2016, the fair value of the land was determined to be Baht 95 million (2015: Baht 95 million) on the basis of market price, while that of the building was determined to be Baht 62 million (2015: Baht 62 million) using the replacement cost approach. The fair value of the building was not determined based on the income approach because it is not used for rental.

17. Property, plant and equipment

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | | | Total |
|-------------------------------|-----------------------------------|---------------------------|-----------------------------------|--|--|----------------|--|-----------|
| | Land and land improvement | Land awaiting development | Building and building improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation | |
| Cost | | | | | | | | |
| 1 January 2015 | 688,941 | 76,476 | 891,989 | 2,594,925 | 113,113 | 247,467 | 91,154 | 4,704,065 |
| Additions | 71,484 | - | 18,375 | 35,588 | 3,225 | 15,507 | 443,767 | 587,946 |
| Capitalised interest | - | - | 152 | 134 | - | - | 249 | 535 |
| Disposals/write off | - | - | - | (17,514) | (1,622) | (17,274) | - | (36,410) |
| Transfer in (transfer out) | - | - | 103,540 | 282,612 | 329 | 6,941 | (393,422) | - |
| 31 December 2015 | 760,425 | 76,476 | 1,014,056 | 2,895,745 | 115,045 | 252,641 | 141,748 | 5,256,136 |
| Additions | 2,506 | - | 43,987 | 38,506 | 1,894 | 3,813 | 132,544 | 223,250 |
| Capitalised interest | - | - | 135 | 261 | - | - | 354 | 750 |
| Disposals/write off | - | - | (370) | (57,328) | (1,867) | (7,721) | - | (67,286) |
| Transfer in (transfer out) | (3,966) | 13,881 | 51,477 | 119,781 | 2,392 | 1,106 | (184,671) | - |
| Transfer to intangible assets | - | - | - | (1,071) | - | - | - | (1,071) |
| 31 December 2016 | 758,965 | 90,357 | 1,109,285 | 2,995,894 | 117,464 | 249,839 | 89,975 | 5,411,779 |

(Unit: Thousand Baht)

Consolidated financial statements

| | Land and land improvement | Land awaiting development | Building and building improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation | Total |
|--|---------------------------|---------------------------|-----------------------------------|--|--|----------------|--|-----------|
| <u>Accumulated depreciation</u> | | | | | | | | |
| 1 January 2015 | - | - | 576,499 | 1,682,147 | 99,194 | 179,819 | - | 2,537,659 |
| Depreciation for the year | - | - | 41,656 | 153,092 | 4,872 | 25,823 | - | 225,443 |
| Depreciation on disposals/write off | - | - | - | (13,709) | (1,587) | (16,378) | - | (31,674) |
| 31 December 2015 | - | - | 618,155 | 1,821,530 | 102,479 | 189,264 | - | 2,731,428 |
| Depreciation for the year | - | - | 51,035 | 154,403 | 4,228 | 23,726 | - | 233,392 |
| Depreciation on disposals/write off | - | - | (188) | (56,005) | (1,841) | (7,266) | - | (65,300) |
| 31 December 2016 | - | - | 669,002 | 1,919,928 | 104,866 | 205,724 | - | 2,899,520 |
| <u>Allowance for impairment</u> | | | | | | | | |
| 1 January 2015 | 14,638 | - | - | 66,216 | - | - | - | 80,854 |
| Increase during the year | - | - | - | 17,462 | 159 | 303 | - | 17,924 |
| 31 December 2015 | 14,638 | - | - | 83,678 | 159 | 303 | - | 98,778 |
| Decrease during the year | - | - | - | - | - | (266) | - | (266) |
| 31 December 2016 | 14,638 | - | - | 83,678 | 159 | 37 | - | 98,512 |
| <u>Net book value</u> | | | | | | | | |
| 31 December 2015 | 745,787 | 76,476 | 395,901 | 990,537 | 12,407 | 63,074 | 141,748 | 2,425,930 |
| 31 December 2016 | 744,327 | 90,357 | 440,283 | 992,288 | 12,439 | 44,078 | 89,975 | 2,413,747 |

Depreciation for the year

2015 (Baht 204.6 million included in manufacturing cost, and the balance in administrative expenses)

225,443

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

233,392

(Unit: Thousand Baht)

Separate financial statements

| | Land | Building and improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation | Total |
|-------------------------------|--------|-----------------------------|---|--|----------------|--|-----------|
| Cost | | | | | | | |
| 1 January 2015 | 25,836 | 306,359 | 1,162,804 | 38,357 | 47,409 | 46,588 | 1,627,353 |
| Additions | - | 23 | 9,833 | 582 | 9,175 | 319,797 | 339,410 |
| Disposals/write off | - | - | (3,313) | (112) | (4,982) | - | (8,407) |
| Transfer in (transfer out) | - | 78,551 | 221,889 | 329 | - | (300,769) | - |
| 31 December 2015 | 25,836 | 384,933 | 1,391,213 | 39,156 | 51,602 | 65,616 | 1,958,356 |
| Additions | - | - | 8,420 | 450 | 116 | 96,558 | 105,544 |
| Capitalised interest | - | - | - | - | - | 165 | 165 |
| Disposals/write off | - | (65) | (10,961) | (718) | (1,545) | - | (13,289) |
| Transfer in (transfer out) | - | 25,116 | 88,875 | 2,393 | 400 | (116,784) | - |
| Transfer to intangible assets | - | - | (1,071) | - | - | - | (1,071) |
| 31 December 2016 | 25,836 | 409,984 | 1,476,476 | 41,281 | 50,573 | 45,555 | 2,049,705 |

(Unit: Thousand Baht)

Separate financial statements

| | Land | Building and building improvement | Machinery and factory and agricultural equipment and waste water treatment | Furniture, fixtures and office equipment | Motor vehicles | Assets under construction and installation | Total |
|--|--------|---|---|--|----------------|--|-----------|
| <u>Accumulated depreciation</u> | | | | | | | |
| 1 January 2015 | - | 223,320 | 724,904 | 34,775 | 35,891 | - | 1,018,890 |
| Depreciation for the year | - | 15,104 | 64,395 | 1,642 | 4,744 | - | 85,885 |
| Depreciation on disposals/write off | - | - | (3,009) | (112) | (4,371) | - | (7,492) |
| 31 December 2015 | - | 238,424 | 786,290 | 36,305 | 36,264 | - | 1,097,283 |
| Depreciation for the year | - | 15,157 | 75,292 | 1,394 | 5,009 | - | 96,852 |
| Depreciation on disposals/write off | - | (65) | (10,706) | (709) | (1,545) | - | (13,025) |
| 31 December 2016 | - | 253,516 | 850,876 | 36,990 | 39,728 | - | 1,181,110 |
| <u>Net book value</u> | | | | | | | |
| 31 December 2015 | 25,836 | 146,509 | 604,923 | 2,851 | 15,338 | 65,616 | 861,073 |
| 31 December 2016 | 25,836 | 156,468 | 625,600 | 4,291 | 10,845 | 45,555 | 868,595 |

Depreciation for the year

2015 (Baht 75.8 million included in manufacturing cost, and the balance in administrative expenses)

85,885

2016 (Baht 88.3million included in manufacturing cost, and the balance in administrative expenses)

96,852

During the year 2016, the Company capitalised borrowing costs amounting to Baht 0.2 million to the costs of machinery under installation during the year ended 31 December 2016 (2015: Nil). The weighted average rate of 2.6% per annum was used to determine the amount of borrowing costs eligible for capitalisation.

During the year 2016, the subsidiary capitalised borrowing costs amounting to Baht 0.6 million (2015: Baht 0.5 million) to the costs of plant enlargement and machinery installation. These borrowing costs were determined based on the borrowing costs of the general loans and the weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 2.18% - 2.56% per annum (2015: 2.39% - 3.14% per annum).

As at 31 December 2016, 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 1,743 million (2015: Baht 1,585 million) and for the Company amounted to approximately Baht 756 million (2015: Baht 615 million).

As at 31 December 2016, a subsidiary had vehicles with net book value of Baht 2 million (2015: Baht 2.5 million) which were acquired under finance lease agreements.

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | | Total | Separate financial statements |
|--|-----------------------------------|--|--|----------|--|
| | Cost of forest land rights | Cost of palm plantation ready for harvest | Cost of palm plantation not ready for harvest | | Cost of palm plantation ready for harvest |
| <u>Cost</u> | | | | | |
| 1 January 2015 | 42,042 | 551,266 | 27,704 | 621,012 | 294 |
| Additions | - | - | 19,163 | 19,163 | - |
| Write off | (42,042) | (12,162) | - | (54,204) | - |
| Transfer in (transfer out) | - | 2,567 | (9,880) | (7,313) | - |
| 31 December 2015 | - | 541,671 | 36,987 | 578,658 | 294 |
| Additions | - | - | 31,039 | 31,039 | - |
| Write off | - | (13,233) | - | (13,233) | - |
| 31 December 2016 | - | 528,438 | 68,026 | 596,464 | 294 |
| <u>Accumulated amortisation</u> | | | | | |
| 1 January 2015 | 41,800 | 372,108 | - | 413,908 | 58 |
| Amortisation for the year | - | 11,895 | - | 11,895 | 12 |
| Amortisation on write off | (41,800) | (6,888) | - | (48,688) | - |
| 31 December 2015 | - | 377,115 | - | 377,115 | 70 |
| Amortisation for the year | - | 10,511 | - | 10,511 | 12 |
| Amortisation on write off | - | (6,139) | - | (6,139) | - |
| 31 December 2016 | - | 381,487 | - | 381,487 | 82 |
| <u>Net book value</u> | | | | | |
| 31 December 2015 | - | 164,556 | 36,987 | 201,543 | 224 |
| 31 December 2016 | - | 146,951 | 68,026 | 214,977 | 212 |
| <u>Amortisation for the year (included in manufacturing cost)</u> | | | | | |
| 2015 | | | | 11,895 | 12 |
| 2016 | | | | 10,511 | 12 |

Approximately 12,589 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.

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

However, on 27 April 2015, that subsidiary was granted a permission to gather forest product in the Nation Reserved Forest, and started to pay official royalty fee at the rate of 10% of the market price of oil palm and forest maintenance fee at a rate of double the official royalty fee, when harvesting the planted oil palm crops.

19. Intangible assets

The net book value of intangible assets, which represent computer software, as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--------------------------------|-----------------------------------|--------------|-------------------------------|--------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Cost | 60,357 | 58,841 | 27,094 | 25,942 |
| Less: Accumulated amortisation | (51,660) | (49,570) | (21,729) | (20,945) |
| Net book value | <u>8,697</u> | <u>9,271</u> | <u>5,365</u> | <u>4,997</u> |

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|--------------|-------------------------------|--------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Net book value at beginning of year | 9,271 | 8,270 | 4,997 | 5,065 |
| Acquisitions - cost | 445 | 2,960 | 81 | 681 |
| Transfer from property, plant and equipment | 1,071 | - | 1,071 | - |
| Amortisation for the year | (2,090) | (1,959) | (784) | (749) |
| Net book value at end of year | <u>8,697</u> | <u>9,271</u> | <u>5,365</u> | <u>4,997</u> |

20. Short-term loans from financial institutions

(Unit: Thousand Baht)

| | Interest rate | | Consolidated | | Separate | |
|--|---------------------|-------------|----------------------|-----------|----------------------|---------|
| | (percent per annum) | | financial statements | | financial statements | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Short-term loans from financial institutions | 1.85 - 2.10 | 1.95 - 4.50 | 1,555,000 | 1,610,000 | 530,000 | 255,000 |
| Total | | | 1,555,000 | 1,610,000 | 530,000 | 255,000 |

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

21. Trade and other payables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---|----------------------|---------|----------------------|---------|
| | financial statements | | financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Trade payables - related parties | - | 368 | 139,734 | 141,083 |
| Trade payables - unrelated parties | 311,507 | 280,976 | 220,908 | 205,657 |
| Other payables - related parties | 2,045 | 9,193 | - | - |
| Other payables - unrelated parties | 54,532 | 69,696 | 22,231 | 33,247 |
| Advance received from related parties | 7 | 7 | 220 | 314 |
| Other payables for purchases of machinery | 7,505 | 19,470 | 2,826 | 13,444 |
| Accrued expenses | 128,356 | 114,318 | 65,156 | 59,489 |
| Total trade and other payables | 503,952 | 494,028 | 451,075 | 453,234 |

22. Other current liabilities

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---------------------------------|----------------------|--------|----------------------|--------|
| | financial statements | | financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Advance income | 6,648 | 10,363 | 6,648 | 1,079 |
| Accrued dividend | 4,001 | 4,341 | 694 | 10,363 |
| Others | 38,566 | 49,279 | 24,215 | 32,825 |
| Total other current liabilities | 49,215 | 63,983 | 31,557 | 44,267 |

23. Long-term loans

(Unit: Million Baht)

| Loan facilities | Consolidated | | Separate | | Interest rate | Repayment schedule | Security |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|---|---------------|
| | financial statements | financial statements | financial statements | financial statements | | | |
| | 2016 | 2015 | 2016 | 2015 | (Percent per annum) | | |
| <u>The Company and its subsidiary</u> | | | | | | | |
| 1. 245.10 | 174.01 | 188.89 | 174.01 | 188.89 | 3M BIBOR+1 | Repayment in 12 quarterly installments, starting 3 months after the last drawdown | No collateral |
| 2. 75.00 | - | 75.00 | - | - | BIBOR + 1 | Repayment in 12 quarterly installments, starting February 2014 | No collateral |
| 3. 100.00 | 62.50 | 87.50 | - | - | THBFIX | Repayment in 15 quarterly installments, starting September 2015 | No collateral |
| Total long-term loans | 236.51 | 351.39 | 174.01 | 188.89 | | | |
| Less: Current portion | (103.00) | (175.00) | (78.00) | (75.00) | | | |
| Long-term loans - net of current portion | 133.51 | 176.39 | 96.01 | 113.89 | | | |

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

24. Liabilities under finance lease agreements

| | (Unit: Thousand Baht) | |
|---|-----------------------------------|---------------------|
| | Consolidated financial statements | |
| | <u>2016</u> | <u>2015</u> |
| Liabilities under finance lease agreements | 1,562 | 2,097 |
| Less: Deferred interest expenses | (156) | (267) |
| Total | <u>1,406</u> | <u>1,830</u> |
| Less: Portion due within one year | <u>(573)</u> | <u>(573)</u> |
| Liabilities under finance lease agreements - net of current portion | <u><u>833</u></u> | <u><u>1,257</u></u> |

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

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

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

| | (Unit: Million Baht) | | |
|--|------------------------|-------------|------------|
| | As at 31 December 2015 | | |
| | Less than 1 year | 1 - 4 years | Total |
| Future minimum lease payments | 0.6 | 1.5 | 2.1 |
| Deferred interest expenses | (0.1) | (0.2) | (0.3) |
| Present value of future minimum lease payments | <u>0.5</u> | <u>1.3</u> | <u>1.8</u> |

25. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|---|---|-----------------------------------|---------------|---|-----------------------------------|---------------|
| | 2016 | | | 2015 | | |
| | Employee retirement benefit under labor law | Other long-term employee benefits | Total | Employee retirement benefit under labor law | Other long-term employee benefits | Total |
| Defined benefit obligations at beginning of year | 66,075 | 1,457 | 67,532 | 75,052 | 1,710 | 76,762 |
| Current service cost | 6,450 | 124 | 6,574 | 6,430 | 150 | 6,580 |
| Interest cost | 4,017 | 57 | 4,074 | 3,796 | 63 | 3,859 |
| Benefits paid during the year | (21,217) | (486) | (21,703) | (19,203) | (466) | (19,669) |
| Provision for long-term employee benefits at end of year | 55,325 | 1,152 | 56,477 | 66,075 | 1,457 | 67,532 |

(Unit: Thousand Baht)

Separate financial statements

| | 2016 | | | 2015 | | |
|---|---|-----------------------------------|---------------|---|-----------------------------------|---------------|
| | Employee retirement benefit under labor law | Other long-term employee benefits | Total | Employee retirement benefit under labor law | Other long-term employee benefits | Total |
| Defined benefit obligations at beginning of year | 29,142 | 1,457 | 30,599 | 41,642 | 1,710 | 43,352 |
| Current service cost | 2,668 | 124 | 2,792 | 2,720 | 150 | 2,870 |
| Interest cost | 2,072 | 57 | 2,129 | 2,031 | 63 | 2,094 |
| Benefits paid during the year | (10,102) | (486) | (10,588) | (17,251) | (466) | (17,717) |
| Provision for long-term employee benefits at end of year | <u>23,780</u> | <u>1,152</u> | <u>24,932</u> | <u>29,142</u> | <u>1,457</u> | <u>30,599</u> |

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|---|---|-----------------------------------|---------------|---|-----------------------------------|---------------|
| | 2016 | | | 2015 | | |
| | Employee retirement benefit under labor law | Other long-term employee benefits | Total | Employee retirement benefit under labor law | Other long-term employee benefits | Total |
| Current service cost | 6,450 | 124 | 6,574 | 6,430 | 150 | 6,580 |
| Interest cost | 4,017 | 57 | 4,074 | 3,796 | 63 | 3,859 |
| Transitional liability recognised during the year | - | - | - | 20,851 | 778 | 21,629 |
| Total expenses recognised in profit or loss | 10,467 | 181 | 10,648 | 31,077 | 991 | 32,068 |
| Line items in profit or loss under which such expenses are included | | | | | | |
| Cost of sales | | | 5,447 | | | 19,550 |
| Selling and administrative expenses | | | 5,201 | | | 12,518 |

(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|---|---|-----------------------------------|--------------|---|-----------------------------------|---------------|
| | 2016 | | | 2015 | | |
| | 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 | 2,668 | 124 | 2,792 | 2,720 | 150 | 2,870 |
| Interest cost | 2,072 | 57 | 2,129 | 2,031 | 63 | 2,094 |
| Transitional liability recognised during the year | - | - | - | 12,120 | 778 | 12,898 |
| Total expenses recognised in profit or loss | 4,740 | 181 | 4,921 | 16,871 | 991 | 17,862 |
| Line items in profit or loss under which such expenses are included | | | | | | |
| Cost of sales | | | 2,224 | | | 10,100 |
| Selling and administrative expenses | | | 2,697 | | | 7,762 |

The Company and its subsidiaries expect to pay Baht 8.4 million of long-term employee benefits during the next year (Separate financial statements: Baht 6.7 million) (2015: Baht 17.1 million, separate financial statements: Baht 9.7 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefits is 14 - 27 years (Separate financial statements: 17 - 27 years) (2015: 14 - 27 years, separate financial statements: 17 - 27 years).

Significant actuarial assumptions used for the valuation are as follows:

| | Consolidated | | Separate | |
|--|----------------------|---------------|----------------------|---------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | (% per annum) | (% per annum) | (% per annum) | (% per annum) |
| Discount rate | 4.30 - 4.80 | 4.30 - 4.80 | 4.52, 4.77 | 4.52, 4.77 |
| Salary increase rate | 2.0 - 5.0 | 5.0 | 5.0 | 5.0 |
| Staff turnover rate (depending on age) | 0 - 46 | 0 - 46 | 0 - 46 | 0 - 46 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below.

(Unit: Million Baht)

| | As at 31 December 2016 | | | |
|----------------------|------------------------|----------------------|----------------------|----------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> |
| Discount rate | (2.45) | 2.61 | (1.08) | 1.13 |
| Salary increase rate | 3.68 | (3.49) | 1.64 | (1.57) |
| Staff turnover rate | (3.97) | 4.20 | (1.85) | 1.95 |

(Unit: Million Baht)

| | As at 31 December 2015 | | | |
|----------------------|------------------------|----------------------|----------------------|----------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> | <u>Increase 0.5%</u> | <u>Decrease 0.5%</u> |
| Discount rate | (2.55) | 2.73 | (1.16) | 1.22 |
| Salary increase rate | 3.39 | (3.20) | 1.58 | (1.51) |
| Staff turnover rate | (0.21) | 3.98 | (1.78) | 1.87 |

26. Statutory reserve

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

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

27. Expenses by nature

Significant expenses classified by nature are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Raw materials and consumables used | 6,473,181 | 6,066,346 | 4,886,568 | 4,485,809 |
| Changes in inventories of finished goods and work in process | (256,958) | 155,340 | (334,217) | 65,546 |
| Salary and wages and other employee benefits | 773,065 | 774,788 | 302,853 | 305,155 |
| Depreciation and amortisation | 246,660 | 243,804 | 98,593 | 88,344 |
| Transportation expenses | 157,002 | 129,279 | 92,290 | 97,825 |
| Promotion expenses | 148,246 | 163,553 | 148,246 | 163,553 |
| Repair and maintenance expenses | 95,535 | 109,415 | 21,734 | 33,624 |
| Rental expenses from operating lease agreements | 41,676 | 39,882 | 4,490 | 7,469 |
| Loss on impairment of assets | - | 35,000 | - | - |

28. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|---------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Current income tax: | | | | |
| Current income tax charge | 92,469 | 94,851 | 10,399 | 40,524 |
| Adjustment in respect of income tax expenses of previous year | (99) | 5,804 | - | - |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | 2,570 | (5,952) | (70) | (147) |
| Income tax expenses reported in the statements of comprehensive income | <u>94,940</u> | <u>94,703</u> | <u>10,329</u> | <u>40,377</u> |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Deferred tax relating to loss on change in value of available-for-sale investments | (11) | (253) | (11) | (253) |
| Income tax charged directly to other comprehensive income | (11) | (253) | (11) | (253) |

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

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Accounting profit before tax | 449,821 | 403,984 | 148,445 | 244,849 |
| Applicable tax rate | 15% and 20% | 15% and 20% | 20% | 20% |
| Accounting profit before tax multiplied by income tax rate | 106,890 | 87,576 | 29,689 | 48,970 |
| Adjustment in respect of current income tax of previous year | (99) | 5,804 | - | - |
| Effects of: | | | | |
| Tax loss for the year unrecognised as deferred tax assets | 1,957 | 5,774 | - | - |
| Share of loss (profit) from investment in joint venture | 2,264 | (1,044) | - | - |
| Promotional privileges (Note 29) | (1,996) | (8,829) | (2,785) | (2,818) |
| Non-deductible expenses | 3,591 | 12,670 | 667 | 1,252 |
| Additional expense deductions allowed | (17,427) | (7,206) | (17,242) | (7,027) |
| Others | (240) | (42) | - | - |
| Total | (11,851) | 1,323 | (19,360) | (8,593) |
| Income tax expenses reported in the statements of comprehensive income | 94,940 | 94,703 | 10,329 | 40,377 |

A reconciliation of deferred tax assets (liabilities) is presented below.

| | (Unit: Thousand Baht) |
|--|--------------------------------------|
| | Consolidated financial statements |
| As at 1 January 2016 | 6,431 |
| Deferred tax expenses adjusted to the opening balance of retained earnings (Note 3) | (7,818) |
| Deferred tax expenses recognised in profit or loss | (4,076) |
| As at 31 December 2016 | <u>(5,463)</u> |

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

| | (Unit: Thousand Baht) | | | |
|--|-----------------------------------|---------------|--------------------------------|--------------|
| | Consolidated financial statements | | Separated financial statements | |
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax assets | | | | |
| Allowance for doubtful accounts | 21,518 | 20,352 | 3,479 | 2,213 |
| Allowance for diminution in inventory value | 3,912 | 3,155 | 28 | 90 |
| Allowance for impairment loss of investment in associated company | 2,400 | 2,400 | - | - |
| Unrealised loss on changes in value of available-for-sale investments | 170 | 158 | 170 | 158 |
| Allowance for asset impairment | 3,256 | 3,366 | - | - |
| Provision for long-term employee benefits | 10,109 | 11,469 | 4,986 | 6,120 |
| Provision for land rental | 298 | - | - | - |
| Unused tax losses | - | 910 | - | - |
| Total | <u>41,663</u> | <u>41,810</u> | <u>8,663</u> | <u>8,581</u> |
| Deferred tax liabilities | | | | |
| Change in fair value of biological assets | 10,230 | - | - | - |
| Total | <u>10,230</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net | <u>31,433</u> | <u>41,810</u> | <u>8,663</u> | <u>8,581</u> |

Deferred tax assets and liabilities are presented in the statements of financial position as at 31 December 2016 and 2015 as below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separated financial statements | |
|--------------------------|-----------------------------------|--------|--------------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax assets | 36,896 | 41,810 | 8,663 | 8,581 |
| Deferred tax liabilities | (5,463) | - | - | - |
| Net | 31,433 | 41,810 | 8,663 | 8,581 |

As at 31 December 2016, the subsidiary had deductible temporary differences and unused tax losses totaling Baht 376 million (2015: Baht 453 million), on which deferred tax assets have not been recognised as the subsidiary believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses of the subsidiaries amounting to Baht 222 million will gradually expire by 2021.

29. Promotional privileges

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

The Company

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

Subsidiaries

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

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

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

| | (Unit: Thousand Baht) | | | | | |
|----------------|-----------------------|------------------|-------------------------|------------------|------------------|------------------|
| | Promoted operations | | Non-promoted operations | | Total | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Sales | | | | | | |
| Domestic sales | 1,339,589 | 1,483,091 | 4,617,660 | 4,657,106 | 5,957,249 | 6,140,197 |
| Export sales | 44,652 | 20,898 | 151,607 | 168,193 | 196,259 | 189,091 |
| Total sales | <u>1,384,241</u> | <u>1,503,989</u> | <u>4,769,267</u> | <u>4,825,299</u> | <u>6,153,508</u> | <u>6,329,288</u> |

30. Earnings per share

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

| | For the years ended 31 December | | | |
|---|---------------------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Profit attributable to equity holders of the Company (Thousand Baht) | 330,581 | 311,416 | 138,116 | 204,472 |
| Weighted average number of ordinary shares (Thousand shares) | 820,000 | 820,000 | 820,000 | 820,000 |
| Basic earnings per share (Baht/share) | 0.40 | 0.38 | 0.17 | 0.25 |

31. Segment information

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

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

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

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's and its subsidiaries' operating segments for the years ended 31 December 2016 and 2015.

(Unit: Million Baht)

| | Segment | | | | | | Elimination of | | Consolidated | |
|--|------------|------------|---------------------------------|------------|--------------|--------------|----------------------------|------------|--------------|--------------|
| | Palm oil | | Processed fruits and vegetables | | Total | | inter-segment transactions | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenue from external customers | 5,920 | 6,839 | 2,347 | 1,358 | 8,267 | 8,197 | 8,267 | - | 8,267 | 8,197 |
| Intersegment revenues | 516 | 750 | 709 | 688 | 1,225 | 1,438 | (1,225) | (1,438) | - | - |
| Interest expenses | (18) | (20) | (23) | (25) | (41) | (45) | - | - | (41) | (45) |
| Depreciation and amortisation | (182) | (172) | (65) | (72) | (247) | (244) | - | - | (247) | (244) |
| Income tax expenses | (31) | (48) | (64) | (47) | (95) | (95) | - | - | (95) | (95) |
| Reversal of loss on impairment of assets | - | - | - | (35) | - | (35) | - | - | - | (35) |
| Segment profit | 582 | 715 | 701 | 568 | 1,283 | 1,283 | - | (1) | 1,283 | 1,282 |

(Unit: Million Baht)

| | Segment | | | | | | Elimination of | | Consolidated | |
|--|--------------|--------------|---------------------------------|--------------|--------------|--------------|----------------------------|----------------|--------------|--------------|
| | Palm oil | | Processed fruits and vegetables | | Total | | inter-segment transactions | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Segment total assets | 5,855 | 5,454 | 1,629 | 1,755 | 7,484 | 7,209 | (1,536) | (1,338) | 5,948 | 5,871 |
| Additions (reduction) to non-current assets other than financial instruments and deferred tax assets | 132 | 516 | (105) | (147) | 27 | 369 | - | - | 27 | 369 |

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

Geographic information

During the year 2016, the Company's and its subsidiaries' sales represent domestic sales of 78 percent (2015: 82 percent) and export sales of 22 percent (2015: 18 percent).

Major customers

For the years 2016 and 2015, the Company and its subsidiaries have no major external customer with revenue of 10 percent or more of an entity's revenues.

32. Provident fund

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

The contributions for the year 2016 by the Company and the subsidiaries amounting to approximately Baht 12.0 million (2015: Baht 11.1 million) were recognised as expenses, the Company only: Baht 5.7 million (2015: Baht 5.3 million).

33. Dividends

| | Approved by | Total dividends (Thousand Baht) | Dividend per share (Baht) |
|--|--|------------------------------------|------------------------------|
| <u>The Company</u> | | | |
| <u>For the year 2015</u> | | | |
| Dividend on 2014 profit | Annual General Meeting of the shareholders on 24 April 2015 | 164,000 | 0.20 |
| Total dividends for the year 2015 | | 164,000 | 0.20 |
| <u>For the year 2016</u> | | | |
| Dividend on 2015 profit | Annual General Meeting of the shareholders on 26 April 2016 | 123,000 | 0.15 |
| Total dividends for the year 2016 | | 123,000 | 0.15 |
| <u>Subsidiaries</u> | | | |
| <u>For the year 2015</u> | | | |
| Final dividend in respect of October to December 2014 profit | Annual General Meeting of the shareholders of United Palm Oil Industry Public Company Limited on 24 April 2015 | 48,607 | 0.15 |
| Total dividends for the year 2015 | | 48,607 | 0.15 |

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

34. Commitments and contingent liabilities

34.1 Capital commitments

As at 31 December 2016, the Company and its subsidiaries had capital commitments relating to construction of buildings and purchase of machineries, equipment and motor vehicles amounting to approximately Baht 63.8 million and Euro 0.1 million (2015: Baht 71.1 million, Yen 2.7 million and Euro 0.7 million), the Company only: Baht 22.9 million (2015: Baht 39.8 million, Yen 2.7 million and Euro 0.7 million).

34.2 Operating lease commitments

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

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

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

| | (Unit: Million Baht) | |
|----------------------------------|----------------------|-------------|
| | As at 31 December | |
| | <u>2016</u> | <u>2015</u> |
| Payable: | | |
| Within 1 year | 33.3 | 24.4 |
| In over 1 year and up to 5 years | 87.0 | 71.5 |
| In over 5 years | 17.0 | 16.0 |

34.3 Guarantees

As at 31 December 2016, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their businesses. These included letters of guarantee amounting to Baht 17.2 million to guarantee import, electricity use, among others (2015: Baht 32.1 million) and for the Company: Baht 9.2 million to guarantee electricity use, among others (2015: Baht 10.1 million).

34.4 Contingent liabilities

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

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

Consequently, ALRO sent a letter to the subsidiary regarding the distribution of land. The land of 4,994.10 rai had been distributed. However, the subsidiary found that the distribution of the land of about 1,459 rai, with the approximately cost of land and the net book value of the palm plantation development on such land as at 31 December 2016 totally Baht 10 million, was in conflict with the subsidiary's land title deed. The subsidiary is now processing with ALRO to nullify the status of being land under Sor Por Kor.

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

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

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

35. Fair value hierarchy

As at 31 December 2016 and 2015, the Company and its subsidiaries had the assets that were measured at fair value or for which fair value is disclosed using different levels of inputs as follows:

(Unit: Million Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|---------|---------|-------|
| | As at 31 December 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Available-for-sale investments | | | | |
| Equity instruments | 1 | 1 | - | 2 |
| Biological assets | - | 53 | 30 | 83 |
| Assets for which fair value is disclosed | | | | |
| Investment properties | - | - | 187 | 187 |

(Unit: Million Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|---------|---------|-------|
| | As at 31 December 2015 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Available-for-sale investments | | | | |
| Equity instruments | 1 | 1 | - | 2 |
| Assets for which fair value is disclosed | | | | |
| Investment properties | - | - | 183 | 183 |

(Unit: Million Baht)

| | Separate financial statements | | | |
|---|-------------------------------|---------|---------|-------|
| | As at 31 December 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Available-for-sale investments | | | | |
| Equity instruments | 1 | 1 | - | 2 |
| Assets for which fair value is disclosed | | | | |
| Investments in subsidiaries | 1,621 | - | - | 1,621 |
| Investment properties | - | - | 30 | 30 |

(Unit: Million Baht)

| | Separate financial statements | | | |
|---|-------------------------------|---------|---------|-------|
| | As at 31 December 2015 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Available-for-sale investments | | | | |
| Equity instruments | 1 | 1 | - | 2 |
| Assets for which fair value is disclosed | | | | |
| Investments in subsidiaries | 1,056 | - | - | 1,056 |
| Investment properties | - | - | 26 | 26 |

36. Financial instruments

36.1 Financial risk management

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

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, other receivables and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans, as stated in the statement of financial position.

Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2016 and 2015 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 2016

| | Fixed interest rate | | | | Total | Interest rate (% p.a.) |
|--|---------------------|---|------------------------------|-----------------------------|--------------|---------------------------|
| | Within one year | More than one year but within four years | Floating interest rate | Non- interest bearing | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 30 | - | 362 | 28 | 420 | 0.05 - 1.45 |
| Trade and other receivables | - | - | - | 912 | 912 | - |
| Long-term loans to other companies | - | - | 60 | - | 60 | THBFIX + 1 |
| | <u>30</u> | <u>-</u> | <u>422</u> | <u>940</u> | <u>1,392</u> | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 870 | - | 685 | - | 1,555 | 1.85 - 2.10 |
| Trade and other payables | - | - | - | 504 | 504 | - |
| Long-term loans | - | - | 237 | - | 237 | 3 M BIBOR + 1, THBFIX |
| | <u>870</u> | <u>-</u> | <u>922</u> | <u>504</u> | <u>2,296</u> | |

(Unit: Million Baht)

As at 31 December 2015

| | Fixed interest rate | | | | Total | Interest rate (% p.a.) |
|--|---------------------|---|------------------------------|-----------------------------|--------------|--------------------------------|
| | Within one year | More than one year but within four years | Floating interest rate | Non- interest bearing | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | 421 | 59 | 480 | 0.05 - 0.85 |
| Trade and other receivables | - | - | - | 1,152 | 1,152 | - |
| Long-term loans to other companies | - | - | 62 | - | 62 | THBFIX + 1 |
| | <u>-</u> | <u>-</u> | <u>483</u> | <u>1,211</u> | <u>1,694</u> | |
| Financial liabilities | | | | | | |
| Short-term loans from financial institutions | 655 | - | 955 | - | 1,610 | 1.95 - 4.50 |
| Trade and other payables | - | - | - | 494 | 494 | - |
| Long-term loans | - | - | 351 | - | 351 | 3M BIBOR+1, THBFIX, BIBOR+1 |
| | <u>655</u> | <u>-</u> | <u>1,306</u> | <u>494</u> | <u>2,455</u> | |

Foreign currency risk

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

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

| Foreign currency | Financial assets | | Financial liabilities | | Average exchange rate | |
|------------------|-------------------|-------------|-----------------------|-------------|------------------------------------|-------------|
| | as at 31 December | | as at 31 December | | as at 31 December | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | (Million) | (Million) | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US dollars | 6.8 | 2.1 | 0.3 | 0.8 | 35.8307 | 36.0886 |
| Euro | 0.2 | 0.4 | - | 0.1 | 37.7577 | 39.4388 |
| Yen | - | - | - | 33.4 | - | 0.3028 |

Forward exchange contracts outstanding as at 31 December 2016 and 2015 are summarised below.

As at 31 December 2016

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

As at 31 December 2016

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

As at 31 December 2015

| Foreign currency | Sold amount | | Contractual exchange rate of sold amount | Contractual maturity date |
|---------------------|--|--|--|---------------------------|
| | Consolidated financial statements (Million) | Separate financial statements (Million) | | |
| Euro | 0.6 | 0.6 | (Baht per 1 foreign currency unit) 40.2000 - 41.3640 | In April 2016 |

36.2 Fair values of financial instruments

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

37. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that they have appropriate capital structure in order to support their business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.70:1 (2015: 0.82:1) and the Company's was 0.43:1 (2015: 0.35:1).

38. Events after the reporting period

On 28 February 2017, the meeting of the Company's Board of Directors passed a resolution to propose the payment of dividend in respect of 2016 profit of Baht 0.10 per share, or a total of Baht 82 million.

On 27 February 2017, a meeting of the Board of Directors of United Palm Oil Industry Public Company Limited ("the subsidiary") passed a resolution to propose the payment of dividend in respect of 2016 profit 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.

39. Reclassification

Due to the adoption of new financial reporting standard and the accounting treatment guidance, as discussed in Note 3 to the financial statements, certain amounts in the prior period's financial statements have been reclassified as follows:

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December 2015

| | <u>As reclassified</u> | <u>As previously reported</u> |
|--|------------------------|-------------------------------|
| Statement of financial position | | |
| Biological assets | 22,279 | - |
| Cost of forest land rights and cost of palm plantation | 201,543 | 223,822 |

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

40. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2017.