



**ANNUAL REPORT  
2017**



**RESPONSIBILITY / QUALITY  
HEALTHY / WELLNESS**



# ANNUAL REPORT 2017 OF LAM SOON (THAILAND) PLC.

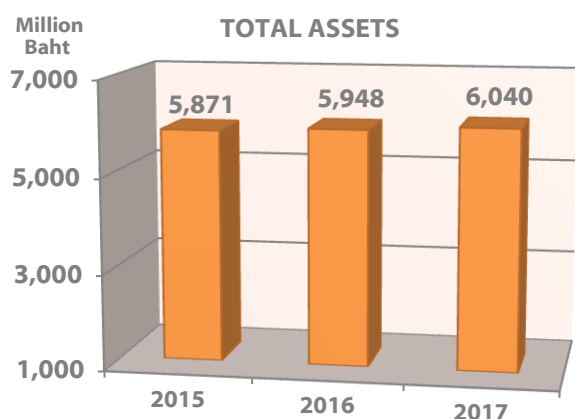
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**Investors can study more information of the Company from  
the Annual Registration Statement (FORM 56-1) published on  
[www.sec.or.th](http://www.sec.or.th) or [www.lamsoon.co.th](http://www.lamsoon.co.th)**

# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : Million Baht)

	2015	2016	2017
Total Assets	5,871	5,948	6,040
Total Liabilities	2,648	2,455	2,310
Shareholders' Equity	3,223	3,492	3,730
Sales	8,197	8,245	8,551
Total Revenues	8,291	8,329	8,639
Gross Profit	1,276	1,260	1,300
Net Profit of equity holders of the Company	311	331	404

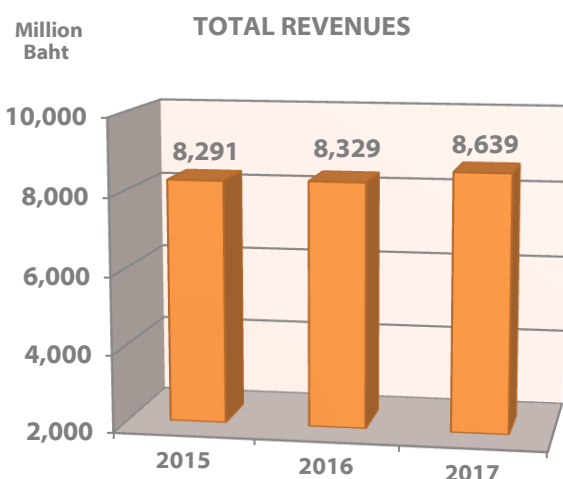


**Total assets** increased by 1.6 % mainly because:-

- 1) Cash and cash equivalents at Group level was 414.1 million Baht, decreasing by 6.2 million Baht or 1.5%.
- 2) Trade and others receivables increased by 193.5 million Baht to 1,105.3 million Baht.
- 3) Inventory increased by 26.6 million Baht, caused by higher work in process and reversion of the write-down of cost of inventories.
- 4) Biological assets decreased by 12.9 million Baht.



for more information



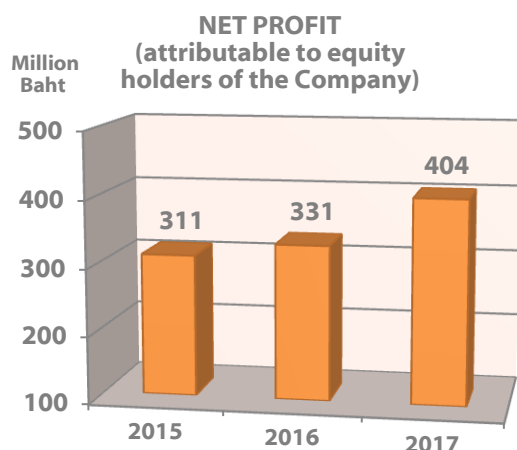
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**Total revenues** increased by 309.6 million Baht from:-

- 1) Sales of the Company and its subsidiaries increased by 306.2 million Baht or 3.7%.
- 2) Other income increased by 12.2 million Baht or 16.2%.



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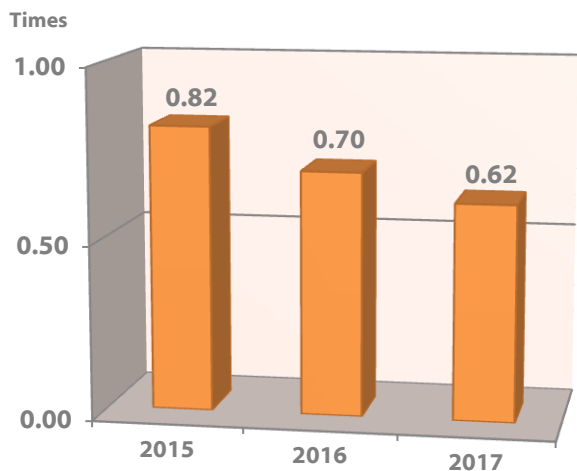
**Net profit (attributable to equity holders of the Company)** increased by 73.5 million Baht or 22.2%, with higher net profit margin of 4.68%.



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# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

## TOTAL DEBT TO EQUITY RATIO

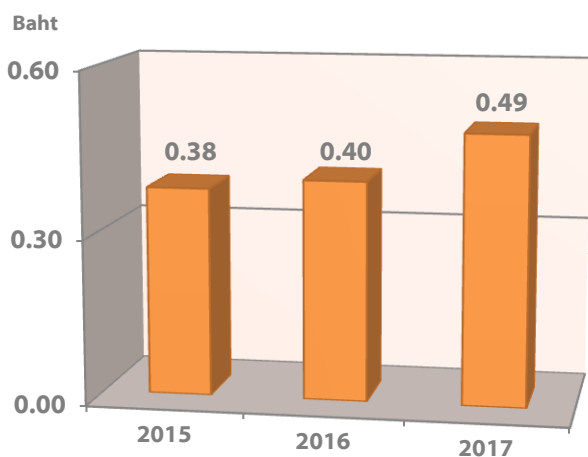


*Total debt to equity ratio* decreased to 0.62 times in 2017 (2016: 0.70 times).

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## EARNINGS PER SHARE

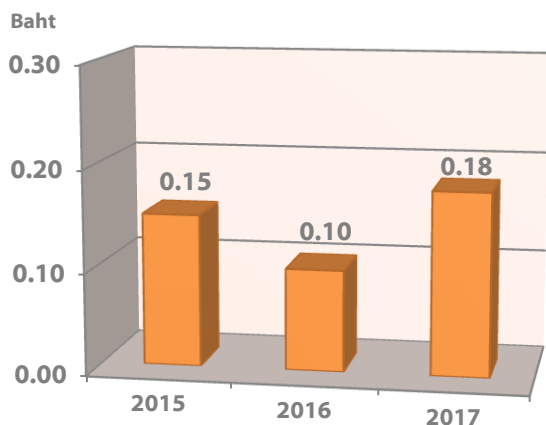


*Earnings per share*: increased from 0.40 in 2016 to 0.49 Baht per share.

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for more information

## DIVIDEND PER SHARE



*Dividend per share*: Pursuant to the resolution of BOD meeting on 23 Feb 2018, dividend per share of 0.18 Baht is proposed to be paid for the financial year 2017, subject to approval at AGM no. 1/2018.

This would represent a payout ratio of 61.4% 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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for more information

# FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

## FINANCIAL RATIOS

(Unit : %)

	2015	2016	2017
Profit Margin Contributable to Equity holders	3.76	3.97	4.68
Return on Equity (Average)	9.79	10.57	11.91
Return on Total Assets (Average)	5.63	6.01	6.69

## PER SHARE DATA

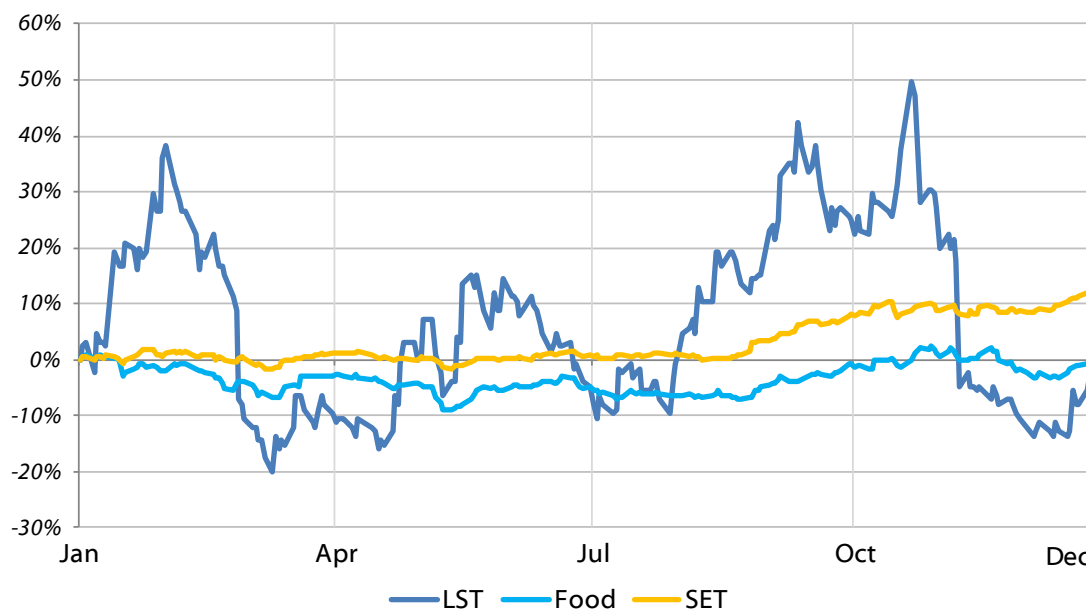
(Unit : Baht)

	2015	2016	2017
Earnings per Share	0.38	0.40	0.49
Dividend Paid per Share	0.20	0.15	0.10
Dividend per Share (operational year)	0.15	0.10	0.18 <sup>(i)</sup>
Book Value per Share	3.43 <sup>(ii)</sup>	3.45 <sup>(ii)</sup>	3.60 <sup>(ii)</sup>

Notes : <sup>(i)</sup> According to the resolution of BOD meeting on 23 February 2018, to be proposed to AGM no.1/2018

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

## 2017 STOCK PRICE PERFORMANCE





### 2017 Overview

The good weather condition and resumption of rainfall after the El Nino phenomenon in 2016 noticeably boosted productivity in terms of yield per rai and output of palm crop. The global supply of CPO increased by 7% to 62.29 million MT in 2017 (2016 : 58.3 million MT). There was an increase not only of palm oil production, but also other vegetable oils, especially soybean oil. Total CPO production in the Kingdom in 2017 was the highest recorded at 2.6 million MT increasing by 44% (2016 : 1.8 million MT). The nationwide CPO stock maintained at a high level throughout the year.

CPO stock volume at the year-end accumulated to the highest record at 532,651 MT and 485,379 MT in November and December respectively, double the optimum stock level in Thailand. Therefore, the market price of CPO decreased continuously from 32 Baht/Kg at the beginning of 2017 to 18-19 Baht/Kg at the year-end.

To resolve the oversupply situation during the year, the government agencies had asked the Department of Energy Business to coordinate with fuel traders under Section 7 for increasing biodiesel (B100) reserves. The government also requested palm oil refineries to purchase CPO in normal quantity at higher prices of not less than 22 Baht/Kg. However, such measures did not significantly improve the situation. As oil palm and palm oil prices continued their decline, crushing mills began to focus on export market, especially at the year-end (please refer to “**Industry Overview and Competitiveness**” for details).

Because of the low CPO cost in 2017, your Company was able to effectively exercise inventory management and improve its operating results. Moreover, to mitigate the volatility of palm oil business and to sustain the operating performance of the entire Group, your Company has established the Corporate Strategic Direction and begun to diversify into other businesses apart from palm oil category.

The bakery business in Thailand has grown considerably, with a current market value at 39,500 million Baht, or an increased by 35% from 2011. Bakery ingredients are projected to grow in same direction as bakery business. Therefore, your Company aims to utilise its fats knowhow to extend its range of bakery ingredients, with particular emphasis on health, to strengthen its distribution and supply chain. Moreover, alternative investments are being considered having regard to:-

- High margin,
- Potential growth,
- Related to the Company's core business and competencies.

In addition, your Company intends to explore new markets overseas. Furthermore, a well-known international food company has appointed your Company as a distributor for its products in Thailand. By expanding the product portfolio, it is expected that such move would enhance the existing businesses and further create sustainable growth of your Company.

### Company's Performance

In 2017, your Company recorded sales revenue at 6,453.6 million Baht, increasing by 322.5 million Baht or 5.26% when compared with 2016 (2016 : 6,131.1 million Baht); gross profit at 658.9 million Baht, an increase of 194.8 million Baht (2016 : 464.1 million Baht). However, this was offset by the lower dividend received from both subsidiaries in 2017. As a consequence, your Company recorded a net profit of 240.4 million Baht, or an increase of 74.1% (2016 : 138.1 million Baht).

United Palm Oil Industry Public Company Limited (UPOIC), a 69.96% subsidiary of the Company, recorded a net loss of 18.3 million Baht (2016 : 72.2 million Baht net profit) on revenue of 763.2 million Baht (2016 : 946.1 million Baht). FFB crops from its own plantations decreased by 2.5% while that from concession lands increased by 4.7%, making the total own crops was unchanged from 2016.

At Universal Food Public Company Limited (UFC), a 98.83% subsidiary of the Company, sales revenue decreased by 4.8% to 2,271.9 million Baht (2016 : 2,385.5 million Baht). Besides Management's decision not to re-bid for a sizeable but non-profitable OEM canned fruit business, the sales revenue was also adversely impacted by the depreciation of the USD versus Baht by about 8.9 % and lower selling prices of

## MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

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coconut water in particular, in a number of key markets due to very intense price pressures from competitors. Consequently, the net profit from operation dropped by 14.8% to 204.0 million Baht (2016 : 239.4 million Baht, prior to investment impairment loss of 310 million Baht in the subsidiary company).

Overall, the consolidated net profit increased from 354.9 million Baht in 2016 to 400.8 million Baht, or an increase of 12.9%.

### **Production and Investment**

In 2017, your Company continued to carry out its investment programme in its Bangpoo refinery namely the improvement of production efficiency in the packing line including a new tin packing line, the installation of a 1 liter refill packing machine and Bag in Box packing line installation project. The commissioning of all projects were completed and already started running in 2017.

In Q4/2017, the plant was renovated by improving office, warehouse roof and the drum packing area which would keep the plant clean and comply with the GMP standard. It would also improve the logistic efficiency.

### **Marketing**

“Good health can be simply created by yourself” reflects the simple truth that good health comes from living healthy and eating well. Healthy living means to participate in activities which are good for health with regular exercise and getting enough rest. Eating well is based on wisely selection by getting nutrients from 5 food groups at optimal quantities for your individual body’s needs. For example, children need good fats to keep the body warm and to boost vitamin absorption including to create and expand brain cells for enhancing development. Whereas adults need good fat as an essential nutrient for moist skin care and covering organs and bones.

Your Company as a leader in the vegetable oil market under the “Yok” brand has moved ahead by expanding the line of Naturel healthy product to include Naturel Forte 100% Organic Extra Virgin Coconut Oil to provide the good fat for both internal and external usages. Furthermore, a new item, Naturel 100% Organic Riceberry, has been launched to promote better health among the target consumers.

Marketing communications and campaigns have been implemented to provide information regarding the wise consumption of fat and encourage consumers to focus on healthy life via several media channels including TV commercial, radio, printed matter, and online internet, which received good responsiveness from consumers.

For the Margarine and Shortening segment, a Pastry Margarine under our “Zest” brand has been developed to deliver a premium quality for puff and pies bakery menus with trans fat free. This brand is being positioned as a premium quality ingredient for all bakery menus. At bakery seminars led by expert in-house Chef and team, your Company creates in-trend healthy bakery menus with trans fat free but good taste and value added to establish Zest’s leadership in the market segment.

### **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:-

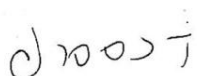
- Local activities to enhance your Company’s image and develop relationship between its crushing mill and nearby communities
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Donation for various occasions

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

Your Company views human resource management as a major part to achieve its vision and missions by strictly committing with the concrete strategic plan. We support and establish positive work environment to enhance the efficient contributions by adhering to the high standards of human resources management. The health care, workplace, safety, welfare, and labor relations are provided to create harmony in the organisation. Your Company was granted the Outstanding Labor and Welfare Award and the Free Drug Workplace Award from the Ministry of Labor, proven that your Company respects the importance of taking care of people.

Furthermore, your Company focuses on creating high-level workforce by building "trainers" as a foundation of team development. It is a direction to sustainably create potential leaders for business, which will strengthen the operation in long term, as well as building trust and continuing to be the best place to work.

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

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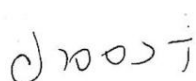
The Audit Committee comprised three independent directors as follows:

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

In 2017, 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 and risk management as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2017, the Company was found to have exercised an appropriate and effective internal control and risk management 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 2017 the AC had 2 meetings with the external auditors without the management attending. The information disclosed by the management to the auditors was found to be adequate without any deficiencies;
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the Company;
5. Consideration of the principles of Good Governance for Listed Companies, which Thai Institute of Directors (IOD) and the Stock Exchange of Thailand (SET) updated and improved to meet the standards of ASEAN CG Scorecard;
6. Consideration and review of the Charter of the Audit Committee/Nomination Committee/Remuneration Committee, and proposed the Board to approve;
7. Consideration of Corporate Governance Principle of the Company, in accordance with the SEC's Corporate Governance Code for Listed Companies 2017 and proposed the Board to approve;
8. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
9. Proposal to the Board of Directors for approval at the 2018 Annual General Meeting of Shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2018 including appropriate remuneration;
10. 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 Audit 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  
23 February 2018

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

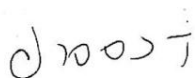
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The Board of Directors of the Company considered the consolidated financial statements of the Company and its subsidiaries, including information as shown in the Annual Report, and concluded that the financial statements have been prepared under generally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

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

The Audit Committee considered the operational performance of the Company during the year 2017 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, 2017.

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](mailto: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,  
Khwaeng Bangna Nuea, Khet Bangna, Bangkok 10260  
  
By email: [banchong\\_ch@yahoo.com](mailto:banchong_ch@yahoo.com)
- 2. Protection of informer's identity :** A stakeholder who communicate or make complaints in item 1 will not be required to disclose his name.
- 3. Action after receiving concerns or complaints :** The Audit Committee shall investigate the information and facts given by the informer in item 1 and report to the Board within 30 days of the date receiving the information.
- 4. Measure of redress and damage compensation :** If the Board determines that a stakeholder has suffered damages from any violation of law by the Company, the Board shall take steps to redress the problem as soon as possible as well as finding measure to prevent recurrence of the problem. Appropriate compensation will be given to the person suffered from violation of law.

## 5. Board Responsibilities

### 5.1 Board of Directors

#### 5.1.1 Structure of the Board

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

#### 5.1.2 Duties and responsibilities of the Board

1. To review and approve the vision, mission, strategy, objectives, risk, plan and budget of the Company.
2. To control and supervise the management in the implementation of the business plan to achieve the objectives and increase the wealth for the shareholders.
3. To set a Corporate Governance Policy and encourage every employee in the organisation to implement the policy, assessment of policy implementation and reviewing the policy at least once a year.
4. To set a code of business conduct to cover all levels of personnel namely, directors, executives, and employees. To encourage all persons in the Company to comply with the policy, monitoring of implementation and assessment of effectiveness of the implementation regularly.
5. To set up internal control system, internal auditing, and measures for risk management as well as regularly monitoring the same.
6. 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.



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

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 2017, 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	2017-2020	4/4
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director	2017-2020	4/4
(3) Mr. Banchong Chittchang	Independent Director	2017-2020	4/4

### 5.2.2 Remuneration Committee

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

#### Duties and Responsibilities of the Remuneration Committee

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

In 2017, 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	2016-2019	2/2
(2) Mr. Banchong Chittchang	Independent Director	2016-2019	2/2
(3) Mr. Whang Shang Ying	Executive Director	2016-2019	2/2

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### 5.2.3 Nomination Committee

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

#### Duties and Responsibilities of the Nomination Committee

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

In 2017, the Nomination Committee held 2 meetings, 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	2017-2020	1/2
(2) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director	2017-2020	2/2
(3) Mr. Banchong Chittchang	Independent Director	2017-2020	2/2
(4) Mr. Whang Shang Ying	Executive Director	2017-2020	2/2

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## 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 4 members at present.

Name	Position	Service Period
(1) Ms. Anchalee Suebchantasiri	Managing Director and Chief Risk Officer	2016-2019
(2) Ms. Piyathida Sukchan	Executive Director	2016-2019
(3) Ms. Jirasuda Sumpaotong	Finance and Accounting Manager	2016-2019
(4) Mr. Virat Suwannarat	Human Resources Manager	2016-2019

*Note : During the year 2017, Mr. Suwat Praekulthan resigned from the Company reducing the number of members from 5 to 4.*

The Risk Management Committee shall comprise a minimum of three 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 liason 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.

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

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.

### 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 2017, the Board of Directors held 4 regular meetings and 1 extra meeting. 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.	2017-2020	4/4	1/1	5/5
(2) Ms. Anchalee Suebchantasiri	2015-2018	4/4	1/1	5/5
(3) Assoc. Prof. Preecha Jarungidanan, Ph.D.	2015-2018	4/4	1/1	5/5
(4) Mr. Banchong Chittchang	2017-2020	4/4	1/1	5/5
(5) Lackana Leelayouthayotin, Ph.D.	2016-2019	4/4	1/1	5/5
(6) Datuk Simon Shim Kong Yip	2017-2020	2/4	0/1	2/5
(7) Mr. Whang Shang Ying	2015-2018	4/4	1/1	5/5
(8) Ms. Piyathida Sukchan	2016-2019	4/4	1/1	5/5
(9) Mr. Ampol Simarojana	2016-2019	4/4	1/1	5/5

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

Non-executive directors may hold meetings among themselves without the management present at the meeting in order to discuss management issues of interest. The result of the meeting shall be reported to the managing director. In 2017, there were 2 meetings of non-executive Directors which were not attended by Executive Directors.

### 5.4 Board Self Assessment

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

## 5.5 Remuneration of Directors and Executives

### 1) Remuneration of Directors

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

Remuneration of Directors and Sub-Committee (Baht)	No. of Persons	2016	2017
Directors fees	9	4,129,200	4,184,400
Audit Committee fees	3	1,236,000	1,252,800
Remuneration Committee fees	3	131,100	131,100
Nomination Committee fees	4	87,600	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 2017, 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	2016		2017	
	Remuneration (Baht)	No. of Persons	Remuneration (Baht)	No. of Persons
Executives	72,911,964	10	82,817,568	11

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	2016		2017	
	No. of Persons	Baht	No. of Persons	Baht
As directors of subsidiaries	4	2,270,400	4	2,270,400
As executives of subsidiaries	3	7,003,500	3	7,389,000

## 5.6 Board and Management Training

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

1. Listed Company Director Handbook containing topics such as roles and responsibilities, things directors should not do as they are prohibited by relevant law, roles and responsibilities of sub-committees.
2. Corporate Governance Policy and Code of Business Conduct of the Company.

3. Memorandum and Articles of Association of the Company.
4. The latest annual report and Form 56-1 annual submission.

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

### 5.7 Code of Business Conduct

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

The Company believes that the code of business conduct is a basic foundation for promoting and upgrading good corporate governance. LST has updated its code of business conduct as a codification of good 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).

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

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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 5.2.4. 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. Ms. Piyathida Sukchan act and make decision in other matters of the Company and its subsidiaries.



## GENERAL INFORMATION

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### Company Profile

Name of Company	:	Lam Soon (Thailand) Public Company Limited
No. of Registration	:	0107538000568 (formerly Bor Mor Jor 579)
Website	:	<a href="http://www.lamsoon.co.th">www.lamsoon.co.th</a>
Corporate Headquarters	:	64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea, Khet 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 075-270 690-1 Fax 075-270 692-3
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, Khwaeng Bangna Nuea Khet 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, Khwaeng Bangna Nuea Khet Bangna, Bangkok 10260
		Tel 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 034-229 397-9, 034-388 262-3 Fax 034-388 264
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  
33<sup>rd</sup> 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 : 5  
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

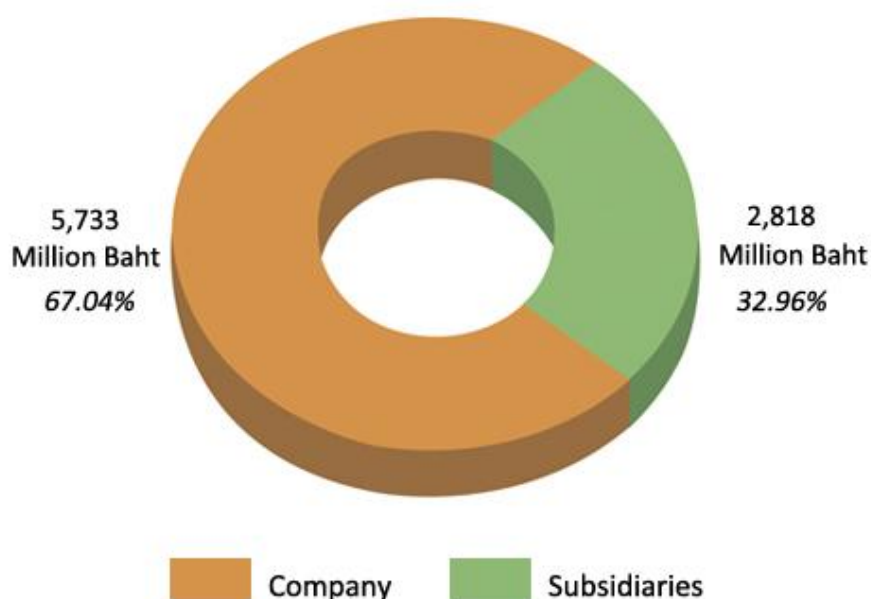
Items 4, 5 and 6 are manufactured by its subsidiary, Universal Food Public Company Limited (UFC).



## NATURE OF BUSINESS

### Revenue structure

	2015		2016 (Reclassified)		2017	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
LST	5,552.62	67.74	5,330.88	64.66	5,732.90	67.04
Subsidiaries	2,644.36	32.26	2,914.09	35.34	2,818.24	32.96
<b>Total</b>	<b>8,196.98</b>	<b>100.00</b>	<b>8,244.98</b>	<b>100.00</b>	<b>8,551.13</b>	<b>100.00</b>



Product/Services by Group	Operated by	2015		2016 (Reclassified)		2017	
		Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Crude Palm Oil	LST and UPOIC	456	5.56	406	4.92	487	5.69
Other Vegetable oil		4,481	54.66	4,278	51.88	4,547	53.18
Margarine and Shortening	LST	585	7.13	624	7.56	675	7.89
Other palm based products	LST and UPOIC	516	6.30	440	5.34	471	5.51
Selling Electricity power to PEA	LST and UPOIC	25	0.31	13	0.16	9	0.11
Beverages	UFC and LST <sup>(i)</sup>	1,204	14.69	1,420	17.22	1,470	17.19
Fruits and Vegetables		821	10.01	953	11.56	776	9.07
Sauces and Seasonings and others		110	1.34	111	1.35	117	1.36
<b>Total Sales - Net</b>		<b>8,197</b>		<b>8,245</b>		<b>8,551</b>	

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

## News Highlights of previous year

### 1. Code of Business Conduct : First revision (R01)

On 12 May 2017, the Board of Directors approved the current Code of Business Conduct (first revision : R01) which was clearly divided into categories, and its content was improved to cover relevant comprehensive regulations and policy with wider range of practical guidelines for stakeholders. This version also included the policy of Anti-Corruption to accommodate the current business implementation.

### 2. The Charters : Audit Committee, Nomination Committee, and Remuneration Committee

On 11 August 2017, the Board of Directors approved the Charter of the Audit Committee, Nomination Committee, and Remuneration Committee after being updated by the Management and reviewed by the Audit Committee by comparing with the current best practices recommended by the IOD and SET/SEC.

### 3. CG Code 2017 : The Corporate Governance Principles of the Company in accordance with the CG Code for listed companies 2017 by SEC

On 11 August 2017, the Board of Directors approved the Corporate Governance Principles of the Company in accordance with the CG Code for listed companies 2017 by SEC. The Board of Directors considered the application of the CG CODE Principles as deemed appropriate to apply the Principles by means that are suitable for the Company's business. The Company shall disclose the information in Annual Report and Annual Registration Statement (Form 56-1) which are required to be submitted in 2019 onwards.

### 4. New VISION of the Company : The Board of Directors approved the new VISION of the Company

On 11 August 2017, the Board of Directors approved the new VISION of the Company to reflect the objectives that promote sustainable value creation.

Existing	Revised
"The leading food Company with sustainable growth and development"	"The leading food <b>and food-related</b> Company with sustainable growth and development"

### **5. Production and Investment : Improvements in Bangpoo Refinery**

- The installation and commissioning of a 1 liter refill packing machine and Bag in Box packing line
- In Q1/2017, a new tin packing line was installed to increase the production efficiency up to 100% with a total investment of approximately 7.5 million Baht. The machine had been tested commissioning and started running.
- In Q4/2017, the plant was renovated by improving office, warehouse roof and the drum packing area which would keep the plant clean and comply with the GMP standard.



for more information

### **6. Marketing : New products launched**

Your Company had developed various products under “YOK” and “Naturel”, “Zest” and “Daisy” brands to capture the potential markets including healthy and bakery segments. Your Company has extended the product range with the launch of :-

- YOK EXTRA Sunflower oil
- YOK EXTRA Rice bran oil with 5,000 ppm Oryzanol
- Naturel Forte 100% Extra Virgin Coconut Oil
- Naturel 100% Organic Riceberry
- Cocoa Powder Daisy brand
- Butter Blend and Pastry Margarine Zest Brand



for more information



for more information

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

Being a commodity, the price of CPO is highly volatile. In some periods, there is a shortage while in other years there is an oversupply. The monthly average price of CPO in 2017 ranged between 19.12 – 31.97 Baht/Kg (2016 : 29.02 – 37.49 Baht/Kg). The average price in 2017 was 24.88 Baht/Kg, decreasing by 22.13% from 2016, compared with the average price in global market at 22.17 Baht/Kg. The high volatility of local price during the year 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 2017, 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). Furthermore, the Central Committee on Price of Goods and Services also issued Notification in the Royal Gazette No. 50 B.E. 2560 (2017) regarding Stipulation of Rules, Conditions of Purchase, and Display of Purchase Price of Oil Palm Fruit in accordance with the Oil Extraction Rate dated 28 August 2017 which made a confusion and problems in practice about determination of price adjustment in accordance with the Oil Extraction Rate.

### 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 increase the selling price freely to align with the raw material cost in the circumstance of shortage pushing up the price of raw material. 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.

### 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**

2017	Production ('000 MT)		Price (Baht/Kg)		Highlights
	FFB	CPO	FFB (OER 18%)	CPO	
Q1	2,501 (2,318)	431 (392)	5.80 (5.38)	30.78 (29.58)	Despite FFB output being higher than the same period of 2016, average price of both FFB and CPO did not decrease. This was because the opening stock of CPO at the beginning of 2017 was much less than the same period of the previous year.
Q2	4,026 (3,162)	706 (505)	4.66 (5.77)	25.84 (33.90)	The output of FFB in the Kingdom improved due to good weather condition and continual raining. As a consequence, the average FFB and CPO price decreased.  The Department of Energy Business then announced an increase in the mandate for biodiesel from B5 to B7, effective on 8 May 2017. This could be presumed to absorb CPO about 25,000 MT/month.
Q3	3,695 (2,602)	657 (476)	4.18 (6.32)	22.43 (34.18)	Due to the abundant output of FFB in the Kingdom, the FFB and CPO prices decreased continuously, narrowing the price gap with global CPO price. The nationwide CPO stock level was high at 466,080 MT.
Q4	4,694 (2,396)	832 (431)	3.81 (5.88)	20.48 (30.14)	The local CPO price approached that of Malaysia. Hence palm oil crushing mills began to focus on export market. The Ministry of Commerce urged the mills to export CPO amount of 200,000 MT to China and India within three months.  However, the Indian central government announced an increase of import tariffs on vegetable oil. In particular, that of CPO had been increased from 15% to 30% and refined palm oil increased from 25% to 40%, setting back export sales to India.
Total	14,916 (10,478)	2,626 (1,804)	4.62 (5.84)	24.88 (31.95)	

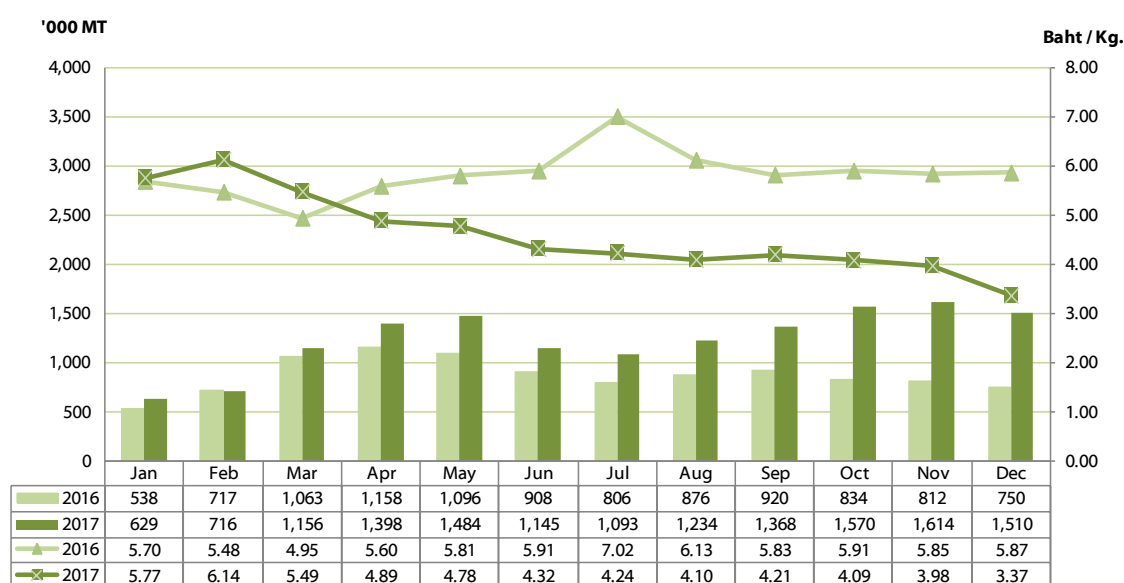
( ) refers to same period (quarter or year, as the case may be) in the preceding year

Source: Figures from Internal Trade Department

## INDUSTRY OVERVIEW AND COMPETITIVENESS

The oil palm harvesting areas in the Kingdom is increased by 7% from 4.6 million rai in 2016 to around 4.9 million rai. In 2018, it is forecasted to further increase to 5.2 million rai. About 90% of the area is in southern region of the Kingdom due to the weather suitability. Since the late 2016 through 2017, the output of FFB in the Kingdom was improved due to good weather condition and continual raining. The FFB volume produced in 2017 overall was 15 million MT, increasing by 42% (2016 : 10.48 million MT). The higher FFB resulted from the better distribution of rainfall during the end of 2016 until 2017 after the El Nino phenomenon came to an end in early 2016. Thus there was the improvement of yield per rai in 2017 at 3,000 Kg increasing by 23% from 2,436 Kg in 2016. Monthly FFB output ranged from its peak of 1.6 million MT in November and to its lowest at around 0.6 million MT in January. The annual average FFB price was at 4.62 Baht/Kg (2016 : 5.84 Baht/Kg), with the highest monthly average at 6.14 Baht/Kg in February and lowest at 3.37 Baht/Kg in December. 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 the past three years was quite different.

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



Source: Internal Trade Department

Total CPO production in the Kingdom in 2017 was 2,626,006 MT (2016 : 1,804,449 MT). CPO demand was shared between :-

(MT)	2016	2017	% Change YOY
Consumption	987,803	1,165,633	18
Biodiesel	815,956	971,177	19

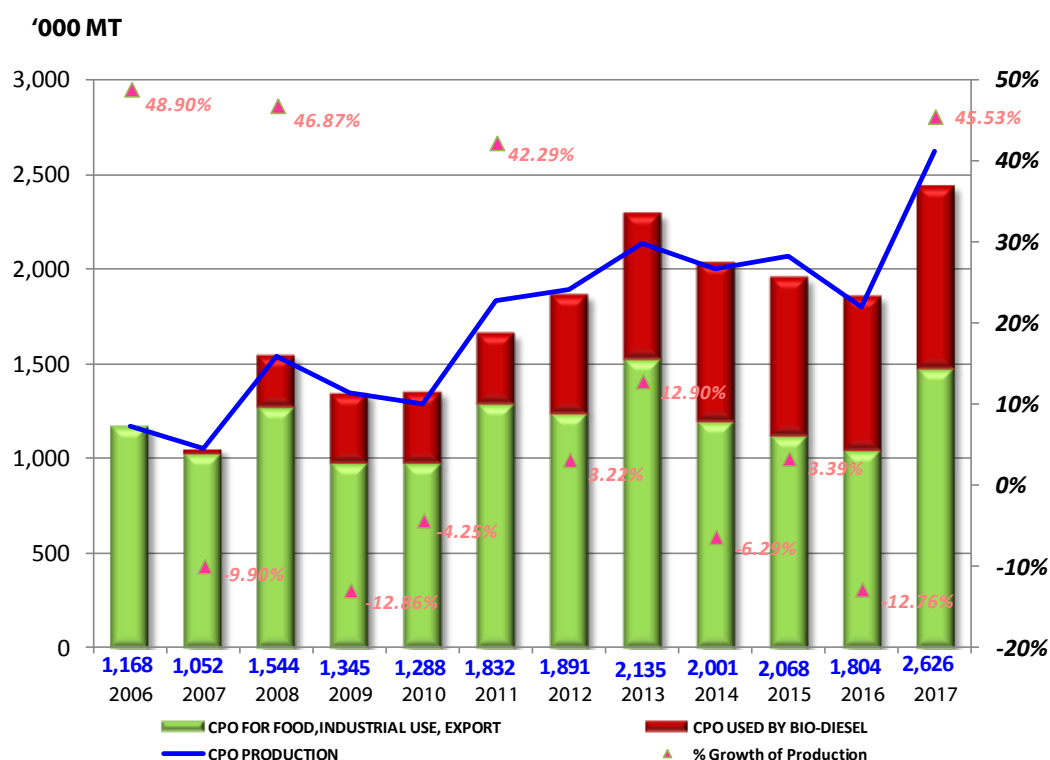
As a consequence of the higher production, the FFB and CPO price decreased. The Department of Energy Business then announced an increase in the mandate for biodiesel from B5 to B7, effective on 8 May 2017. This could be presumed to absorb CPO about 25,000 MT/month but it was still insufficient to cope with the situation of abundant CPO stock in the system that rose sharply from 447,884 MT in May to 532,651 MT and 485,379 MT in November and December respectively. To reduce CPO stock therefore, the Ministry of Commerce announced a policy that required the integrated collaboration from all related sectors and coordination to support private sector to export CPO amounting to 100,000 MT/month. Meanwhile, the Ministry of Energy had been assigned to manage another CPO stock of 100,000 MT by increasing CPO usage in biodiesel mixture as well as using CPO as feedstock at Krabi power plant. The objective was to reduce the CPO stock to an optimum level about 250,000 MT. However, entreaty to biodiesel producers to increase their CPO stock was only a short-term solution given that the new FFB crop output was expected soon in March 2018. Furthermore, to accelerate the mandatory usage of B10 biodiesel within the next 1-2 years does not appear feasible because of some automakers have even not accepted to use B7. In the past 4-5 years, the

## INDUSTRY OVERVIEW AND COMPETITIVENESS

Government (c/o the Ministry of Energy) announced to adjust the palm oil blending in biodiesel from time to time to optimise CPO stock level and balance pricing between palm oil consumption and biodiesel usage. The adjustments of mandate for biodiesel during 4-5 years are summarised as follows:-

Year	Effective Date	Palm oil blending in biodiesel
2013	At the year end	delay in implementation of B7, instead applying B4
2014	In early of May	raise to B7
2015	January April August	reduce to B3.5 raise to B6 raise to B6.5-7
2016	July August November	reduce to B5 reduce to B3 raise to B5
2017	May	raise to B7

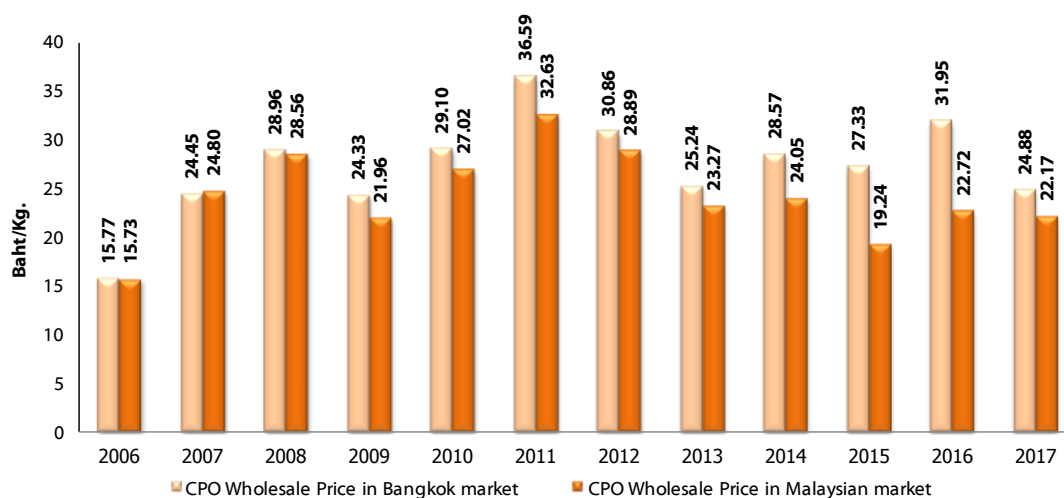
**Figure 3 : CPO Production in Thailand**



Source : Internal Trade Department

Monthly CPO price in the Kingdom in 2017 varied between 19.12 – 31.97 Baht/Kg (2016 : 29.02 – 37.49 Baht/Kg). The annual average CPO price was 24.88 Baht/Kg (2016 : 31.95 Baht/Kg), the lowest average level in 8 years. CPO price in the Kingdom had reached its lowest at 18 Baht/Kg at the end of December. The price gap from the global market decreased to 2 – 3 Baht/Kg (2016 : 11 – 12 Baht/Kg). Particularly during the end of 2017 when the local price of CPO closed to that of Malaysia, palm oil crushing mills hence mainly focused on export market mainly India. Later, on 24 November 2017, the Indian central government announced an increase of import tariffs on vegetable oil. In particular, that of CPO had been increased from 15% to 30% and refined palm oil increased from 25% to 40%, setting back export sales to India.

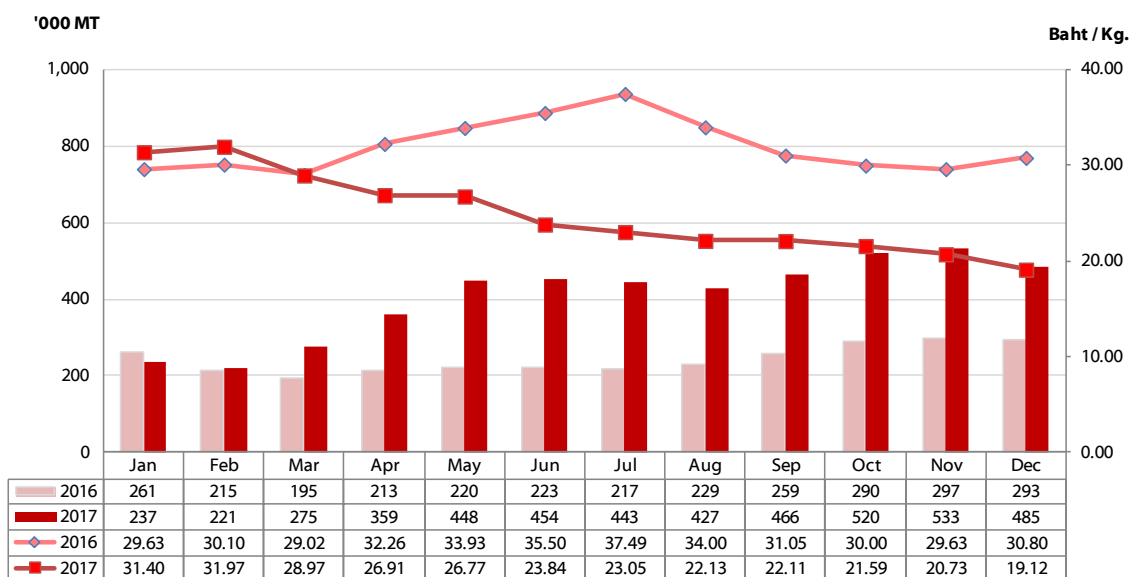
**Figure 4 : Comparison of CPO Wholesale Price Between Bangkok and Malaysian Market**



Source : Internal Trade Department

Because the local CPO price sharply decreased during the second half of 2017 remarkably at the year-end, overall export volume of 2017 was 303,126 MT - CPO equivalent, 157,736 MT of which occurred in the last two months (November – December).

**Figure 5 : CPO Stock Equivalent and CPO Price Movement**



Source : Internal Trade Department

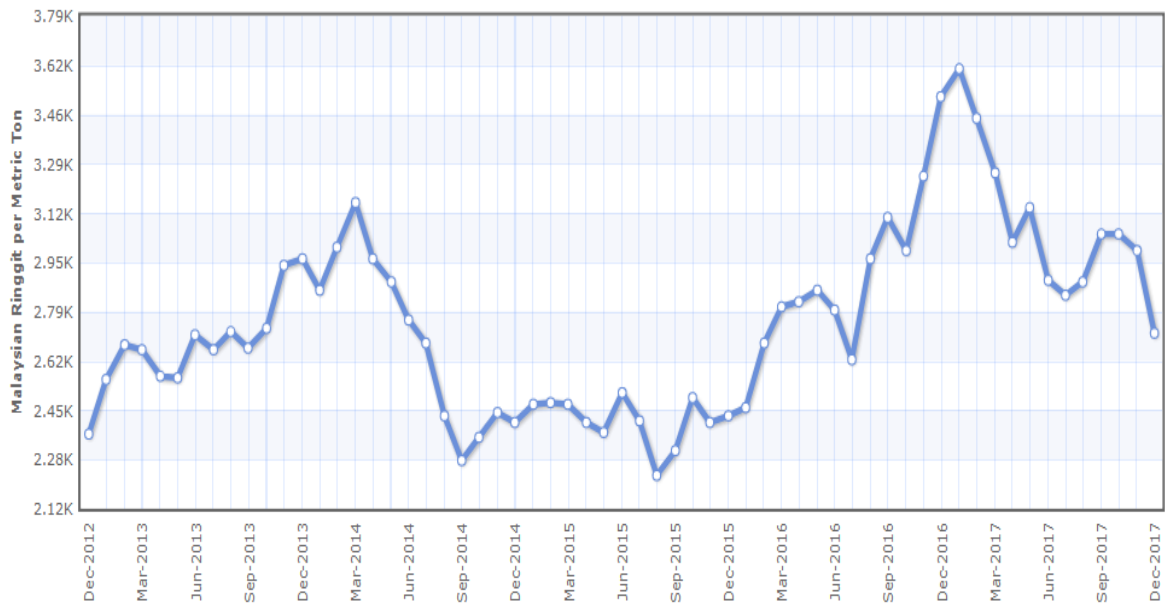
### Summary of key events

- (1) **The draft Oil Palm and Palm Oil Act** : On 29 August 2017, the Cabinet approved in principle the draft Oil Palm and Palm Oil Act B.E.... The essence of the Act is to establish the Oil Palm and Palm Oil Board to be responsible for and overseeing the integrated management of the entire oil palm and palm oil industry. Oil Palm and Palm Oil Fund would be established to support research and development functions including all related issues. Furthermore, the Act would set up the penalties for a failure to comply or infringement. The Act, which is under consideration by the Juridical Council, is expected to become effective within 2018.
- (2) **Petroleum price** : Another factor which needs to keep closely watch is petroleum price. It had been an upward move since concurring on rolling over production cuts by OPEC and non-OPEC members. It is expected that petroleum price would continue to rise in 2018 after it increased about 13% over the previous year. The continuous increase of oil price has been driven by OPEC and non-OPEC members led by Russia agreed to extend cuts to their oil output about 1.8 million barrels/day until the end of 2018. Meanwhile, oil demand is likely to pick up as the strong global economic growth enhancing oil usage. OPEC forecasts an increase in world oil demand at 1.53 million barrels/day in 2018. Asian countries especially China and India would influential countries leading oil demand growth. However, petroleum price is expected to stand at 65-70 USD/barrel as there is a pressure from higher supply of shale oil producers who will invest more in shale oil rigs in 2018. As a consequence, an increasing in production capacity of shale oil group is a major risk putting pressure on oil price in 2018 amid the uptrend price from the agreement of OPEC.
- (3) **India increased import duties on vegetable oils** : To protect local farmers in India, the Indian central government announced an increase of import tariffs imposed on almost types of vegetable oil, CPO in particular. The details are as follows:-

Month	August 2017	November 2017
<b>Import tariff of CPO</b>	increased from 7.5% to 15%	increased from 15% to 30%
<b>Import tariff of refined palm oil</b>	increased from 15% to 25%	increased from 25% to 40%

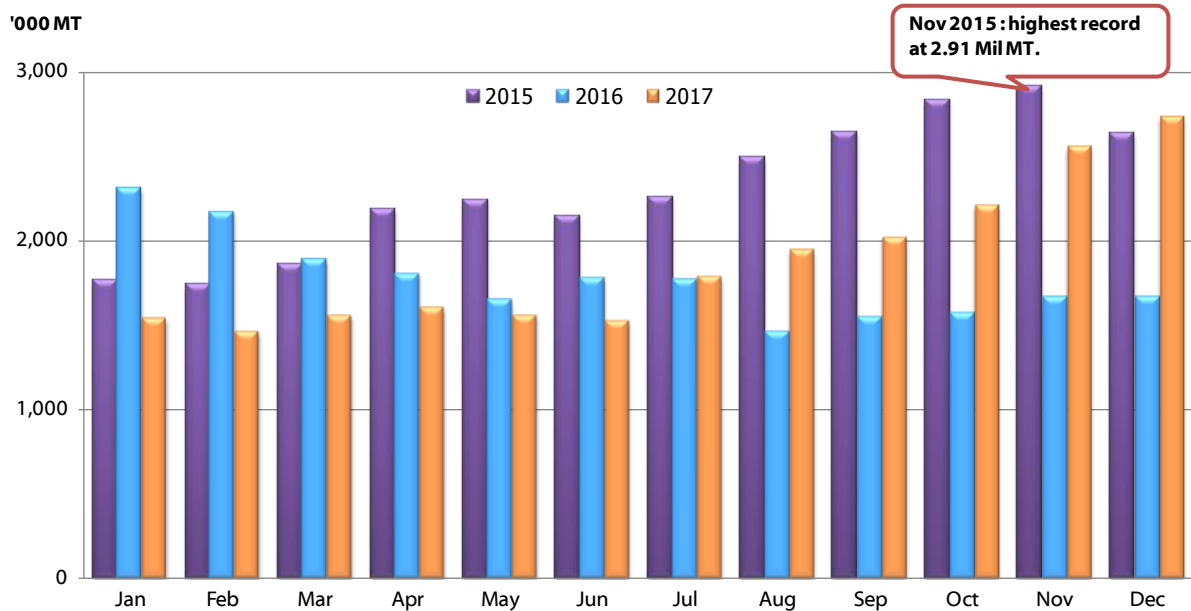
- (4) **Malaysia suspended export tax on CPO for 3 months** : The Malaysian government announced to suspend export tax imposed on CPO for 3 months, starting on 8 January until 7 April 2018 to reduce the high stockpile. However, the suspension will be lifted before the 3-month period, should inventory level fall below 1.6 million MT. Whereas Indonesia currently maintains has a 50 USD/MT levy tax on its exported CPO.
- (5) **Trend of global palm oil price** : In 2017, average CPO price in global market was higher than 2016 despite an increase output. CPO price as benchmarked by the Bursa Malaysia Derivatives : 3rd Month price at 2,703 RM/MT was 2.77% higher than in 2016 which was 2,630 RM/MT. The price hit its peak level on 3 January 2017 at 3,165 RM/MT. CPO price maintained at high level at the beginning of 2017, with the average price during the first quarter at 3,000 RM/MT due to very low stock level in Malaysia at 1.4 million MT in February caused by low output from El Nino's dry weather in 2015 – 2016.

**Figure 6 : Malaysian Palm oil Monthly Price**

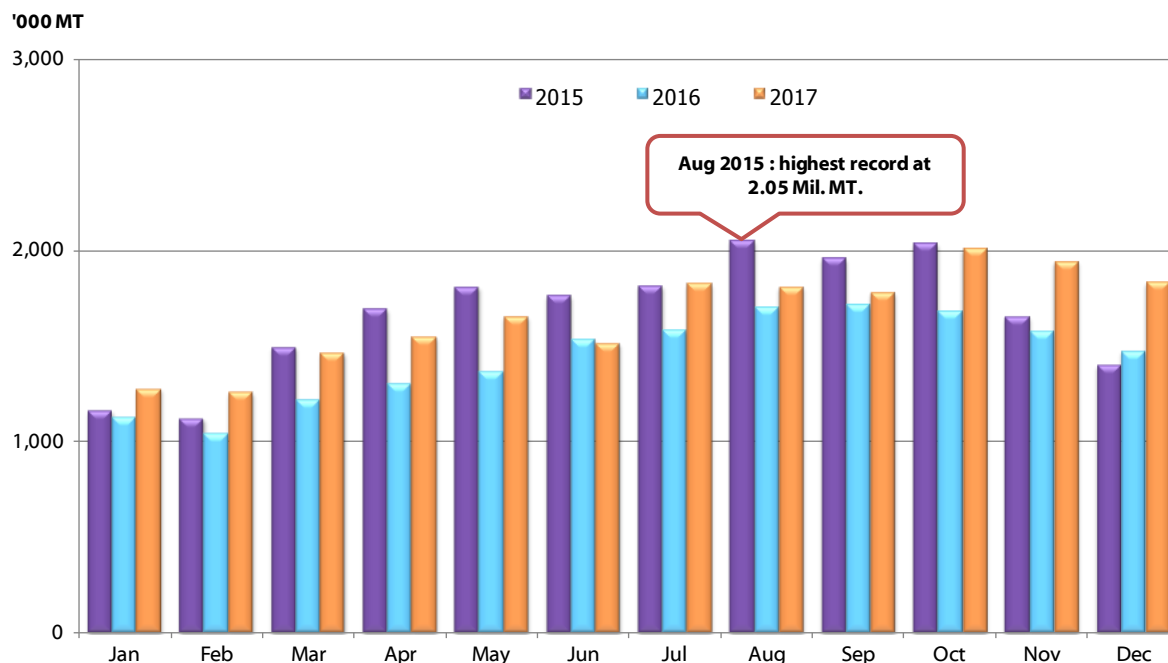


Source: <http://www.indexmundi.com>

**Figure 7 : Malaysia Palm Oil Stock**



**Figure 8 : Malaysia CPO Production**



Source: Malaysian Palm Oil Board

**(6) EU heading to “zero palm oil” in transport by 2021:** On 17 January 2018, European Parliament voted on the revision of the Renewable Energy Directive (RED). The plan includes a ban on the use of palm oil in biofuels within 2021. The objective is to reform the energy market and reduce energy consumption for an attempt to meet the environmental conservation goal. An EU-funded study, published in 2016 found that biodiesel produced from palm oil was three times more polluting than traditional diesel. In reaction, MEPs voted on a resolution in 2016, urging the European Commission to phase-out the use of vegetable oils in biofuels by 2020. They also called for a single certification scheme to guarantee only sustainably produced palm oil enters the EU market. However, the proposed ban on palm oil still faces hurdles, starting with a political agreement from the 28 EU member states, which will be required to finalise the adoption of the revised renewable energy directive. A major hurdle could come in the form of a legal challenge at the WTO from top producer countries such as Malaysia and Indonesia, which together account for around 85% of global output and have joined forces to campaign against a phase out of palm oil at European level.

## Processing capacity

**1. Crushing mills :** The number of CPO crushing mills has increased from 91 in 2013 to about 139 mills at present (only 120 mills still on operation), giving rise to a current total milling capacity of over 30 million MT of FFB per year. This remains significantly higher than the FFB output recorded in 2017 at about 15 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 the Company ranked no.1 in the retail bakery channel.

### **Production and Price Outlook for 2018**

The annual planting area in the Kingdom is expanding by an average of about 0.3 million rai as farmers had been promoted to grow oil palm replacing other crops especially para rubber plantation which affected by the long term low price. This factor increased the average FFB output year on year. Furthermore, influences from climatic phenomenal in two-year backward would significantly deliver benefit overall oil palm yield in current year. Therefore, FFB output is expected to increase continuously from 2017 to be about 14 million MT equivalents to CPO production approximately at 2.5 million MT in 2018.

In terms of demand, the local edible consumption in 2018 is estimated at 1 million MT, and the usage from biodiesel 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 65-70 USD/barrel in 2018, it is very likely that 7% mixture will be implemented for the whole year which is the maximum mixture level. To accelerate adjustment of the mandatory usage of B10 biodiesel to start enforcing within 1-2 years is still difficult. Therefore, the situation of nationwide CPO stock level will remain abundant in 2018 especially in the first half. Hence, to export CPO seems to be the only solution to reduce the stock level.

Meanwhile, global CPO production in 2018 will remain high as well. The United States Department of Agriculture (USDA) forecasted the global output of CPO in 2018 would be at 66.87 million MT, increasing from 62.29 million MT in 2017 or 7.35% because both major palm oil producers namely Indonesia and Malaysia expand their oil palm plantations to support an increase of market demand together with the favorable weather condition.

As a consequence, the nationwide CPO stock management in 2018 is another challenge that requires integrated actions from the Government combined with distinguished plan and measures to make it compatible among each sector. This is to solve the problems effectively and timely.

Overall, it is expected that the local CPO price in 2018 would have the similar movement to the global CPO price at range around 19 - 20 Baht/Kg and FFB price at 3.50-4.00 Baht/Kg. Assuming petroleum price at 65-70 USD/barrel, the average global CPO price in 2018 is estimated at around 2,500 -2,600 RM/MT (2017 : 2,703 RM/MT). However, there are still several factors having a significant impact on CPO price such as soybean oil price, exchange rates, demand and supply from India, China and European Union (EU), movement of palm oil resistance from EU and the US, and modification of palm oil blending for biodiesel as alternative energy.



## Business Overview

### 1. Product Highlights

#### 1.1 Cooking Oil

Thai cooking oil market is experiencing strong demand for improved, nutritional, and healthier oils. Naturel, a leader in healthy cooking oils, will be gearing towards future demand by continuously expand into new segment by non-stop launching new products to capture every opportunity in the market. As the Company believes that availability of broad range of products at reasonable price points and innovation in healthy ingredients will help spruce up consumption.

With growing consumer focus on health and wellness, Naturel will not stop only at cooking oils but also will expand into other growing categories; Organic Riceberry is one of good examples.



Notwithstanding increasing consumption of palm oil given its attribute of being the cheapest of vegetable oils, Yok, strong brand leader in palm oil, the Company will parallelly extend importance into few untapped segments. Yok Extra will be a new range which the Company aims to lift up its brand image and at the same time capture new opportunities. Sunflower and Rice bran are key segments this year.



## 1.2 Margarine and Shortening



To ride on the bakery trend, Lam Soon (Thailand) PCL. has launched new products fulfilling bakery business such as Cocoa Powder under “Daisy” brand, butter blend for cake and cookie, and pastry margarine for puff and pies under “Zest” brand which serve premium quality to serve all sizes of bakery shop for all bakery menus with good taste and good for health but trans fat free.



## 1.3 Beverages and Packed fruits and vegetables

Domestic consumption did not improve in 2017. All product categories including canned fruits, canned vegetable, sauce and seasoning remained stagnant.

In line with the increasing usage of e-commerce and m-commerce as the new channels of purchase and distribution, UFC recruited new consumers via new digital platforms supported by digital marketing initiatives. The Nationwide Free Delivery Campaign was launched via both conventional and digital media in Thailand. UFC products are available for purchase in the major e-retailers i.e. Lazada and 11Street. Another convenient channel to order UFC products is through the UFC online account. Many regular UFC consumers ordered and have the products shipped directly to their home within 3 days.



## MANAGEMENT DISCUSSION AND ANALYSIS



UFC Homesoy (original flavor) is served to passengers on Thai Smile (domestic flights of Thai Airways) throughout the year in 2017. This is a strong endorsement of the great taste and quality of Homesoy.



During the Vegetarian Festival in October, UFC launched the new Homesoy original flavor with basil seed in 180 ml. aluminum can. This new item increased the presence of Homesoy brand on the retail shelves, vending machines and other on-premise channels.



In the same month, UFC also launched the new line extensions of “Multi surface cleaner” and “Kitchen cleaner” under Biohome, Lam Soon’s green homecare products. The range is listed in selective premium supermarkets in Thailand.

UFC will continue to invest in its 21st century Brands and new products in the beverage category.



## 2. Sales & Distribution

### 2.1 Domestic

a) Hypermarkets and Convenience Stores : Due to the macroeconomic slowdown in Thailand, our palm oil sales volume was in line with overall purchasing power of the country, at 2% growth. However, as a result of declining trend of CPO price throughout year 2017, sales value fell by 5% against previous year. Our challenges in 2017 were from both raw material costs and tougher competition in this commoditised market, in the meantime, the Company was hence more selective on both timing and product mixes to ensure to capture market opportunities without losing grip on profitability.

On the other hand, our premium market seemed to be less susceptible to economic slowdown and registered a strong 16% growth in our premium oil segments. The growth was mainly driven by adding more products as well as strengthen our brand's (Naturel) positioning to sustain our businesses in longer term.

b) Traditional Trade : In 2017, the traditional trade channel both of wholesale and retail markets faced more competition from the convenience stores segment who were trying to penetrate more suburban districts. Therefore, some traditional trade businesses have adapted by re-inventing themselves as specialist in food, bakery, beverage and specialty.

Differentiate and better service providers are future of the Company. People will be well trained and more equipped with product knowledge and skills than any of competitors. As innovation expertise, the Company would selectively work with key partners for mutual growth and at the same time will ensure service levels are well managed and better than customer expectations.

c) Food Service : It was another good year of food service channel. Our sales in this channel still expanded at 11% in 2017. It was mainly from new customer bases especially medium size whereby there was less competition on pricing. At the same time, the Company are building more margarine & shortening through new menus and adding new products with our key strategic partners. The Company foresaw the fluctuation of CPO price which is very difficult to predict. To minimise risk, the Company therefore had to avoid long-term contract and focused more on spot or short to medium-term prospects.

Healthy trend was also seen in some key customers as they nowadays switch from commodity oils to premium oils. In 2018, the Company will also expand more in premium oils as well as baking needs segments to capture opportunities in this growing market.

### 2.2 Export

a) Oils and Fats : For the export market in 2017, the Company continues to expand its cooking oil into neighboring countries such as Myanmar, Cambodia, and Laos where the Company foresees an opportunity and potential. The Company has penetrated into Japanese market by offering the contract manufacturing of rice bran oil for Japanese leading brand. For the European market, the Company continues to maintain a healthy oil customer base and find a way to grow this market with continuously effort.

b) UFC Products : The total export sales revenue declined due to the decision to discontinue the bidding for the unprofitable OEM canned fruit in 2017 and the adverse impact of the USD depreciation against the Thai baht by about 8%. Consumption of and demand for canned fruit ( such as tropical fruit salad) and vegetable ( such as baby corn) have been slowing in the export markets.

Sales of OEM brands are declining in the USA and the EU regions due to consumer concerns over reported allegations of coconut water adulterations in Indonesia, Thailand and Vietnam, shift of consumer preference towards organic coconut waters and cheaper PET packs of the product. Online e-commerce sales in Asia especially in China have grown sharply in this segment. Other new growth contributors include our entry into the Middle East markets.

UFC launched our UFC Velvet Almond Milk Drink into Singapore and Malaysia, and UFC Refresh 100% Watermelon Water in New Zealand and Canada in Q3/4 in 2017. UFC is cautiously optimistic that these will be new drivers to our beverage business in light of more demand for healthy beverages and non-dairy alternatives.

Overall, the export performance has been satisfactory. More efforts and investment will continue to be directed at growing our UFC brand business and expanding into new markets with new products and via e-commerce channels.

## Operations Overview

### 1) Productivity improvements

#### *Bangpoo Refinery*

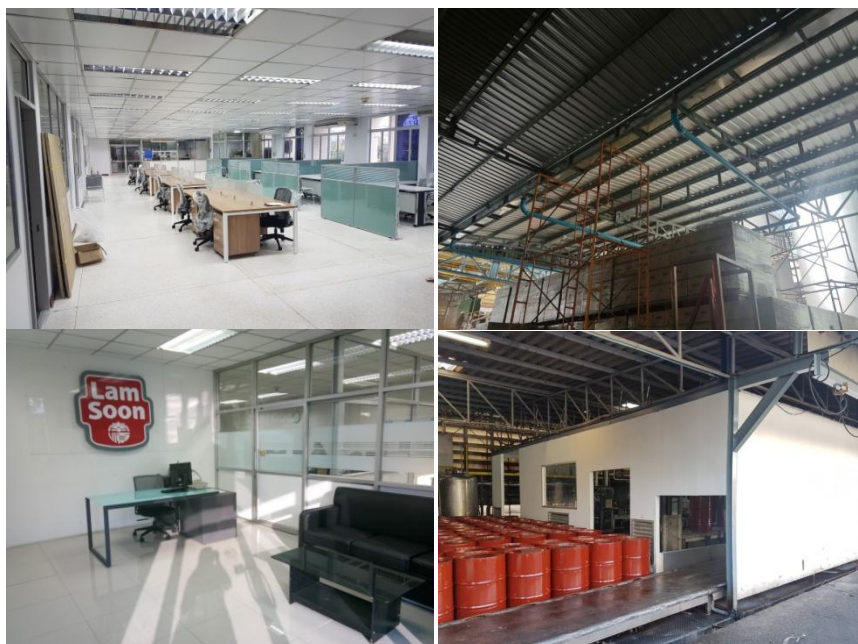
- The installation of a 1 liter refill packing machine and Bag in Box packing line installation project were completed in commissioning and already started running in 2017.



- In Q1/2017, a new tin packing line was installed to increase the production efficiency up to 100% with a total investment of approximately 7.5 million Baht. The machine had been tested commissioning and started running.



- In Q4/2017, the plant was renovated by improving office, warehouse roof and the drum packing area which would keep the plant clean and comply with the GMP standard.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Trang Crushing Mill*

- In May 2017, Trang crushing mill welcomed Mr. Siriphat Pattanakul, the Governor of Trang province, and his team visiting key sections of the palm oil operations for pushing forward the RSPO standard procedure.



### *UFC Lampung*

- On 23-24 March 2017, UFC representatives attended the 8th NPIN 2017 at Chiangmai to exchange knowledge on productivity of manufacturing process with other manufacturers in the North.



## MANAGEMENT DISCUSSION AND ANALYSIS

- On 27 September 2017, UFC invited Bureau Veritas Company (BVC) to organise In-House training for UFC staff on ISO 14001 : 2015 to comply with the new updated standards.



- On 30 November 2017, Fire Fighting & Evacuation Fire Drill Training 2017 was organised by Nana-Safety Co., Ltd for all UFC staff as part of emergency case preparation and protection.



- On 21 December 2017, UFC invited Mr. Chatchawan Singh-usa from the Institute for Skill Development region 10, Lampang Province to arrange In-House training course “forklift safety driving” to improve knowledge and understanding for UFC forklift drivers for maximum safe working.



## 2) Awards and Standard Certifications

### ***Bangpoo Refinery***



- On 21 December 2017, Lam Soon (Thailand) Public Company Limited, was granted the “FDA Quality Award 2018” 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 2018” is granted by the Office of the Food and Drug Administration. The awards were granted to 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.

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





## MANAGEMENT DISCUSSION AND ANALYSIS

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- Trang crushing mill received award with outstanding labor welfare and labour relations management for the year 2017 by the Department of Labor Protection and Welfare, Ministry of Labor. In this occasion, Ms. Anchalee Suebchantasiri, Managing Director together with Mr. Virat Suwannarat, Human Resources Manager received the award on 25 August 2017 at Grand Diamond Ballroom, Impact Arena, Muangthong Thani.

This award is an endorsement of the Company in making itself as the Best Place to Work (BPW) and it is the commitment to strictly comply with the local labor law and strive for sustainable development with the awareness of social and environmental responsibility.

### 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 and food related 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

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### 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 2017, the Company jointly developed the surrounding communities and other organisations by contributing the following CSR projects with the total value at 75,757 Baht (2016: 50,000 Baht).

CSR Activities	
<p style="text-align: center;">QUARTER 1</p>   	<p><b>Supported "Helping Flood Victims"</b></p> <p>In January 2017, the Company participated in activities to help flood victims as follow;</p> <ul style="list-style-type: none"> <li>• Trang crushing mill collaborated with community leaders and other crushing mills in Trang Province to help flood victims in Na Ta Luang Sub-district, Trang Province by supporting drinking water, budget and needy food items.</li> <li>• UFC Lampang joined a cycling project at Lampang to raise funds for flood victims in the South.</li> </ul>
	<p><b>Offered Scholarships to Municipality Kindergarten</b></p> <p>In January 2017, Trang crushing mill offered scholarships to Kuankun Municipality Kindergarten located nearby the mill on National Children's Day 2017.</p>
	<p><b>Allocated Empty Fruit Bunch to School</b></p> <p>In February 2017, Trang crushing mill allocated its by-product (Empty Fruit Bunch) from own production process to Ban Pru Toei School, Sikao District to be used as compost in the school.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS

	<p><b>Participated in Community Sport Event, “18th Kalase Sport Against Drug Addiction 2017”</b></p> <p>In March 2017, the “18th Kalase Sport against drug addiction 2017” was arranged by Kalase Sub-district Administrative Organisation, Sikao District, Trang Province, to promote youth, people, and factories nearby to get healthy alert and stay clear from drug. Staff at Trang crushing mill were encouraged to participate in the community sport event.</p>
	<p><b>Donated Lunch Meal</b></p> <p>UFC Lamphang donated its products to the school in Paya Meng Rai District, Chiang Rai Province on 26 February 2017 to be used for cooking lunch meal for students.</p>
<p style="text-align: center;">QUARTER 2</p>  <div style="text-align: center;">  <p><b>สถานประกอบกิจการ</b> ปลอดภัยปลอดภัย ใส่ใจเป็นสุข</p> </div> 	<p><b>Welcomed Teachers and Students from Academic Institutes</b></p> <p>In April 2017, the Company’s factories welcomed teachers and students from academic institutes as follows;</p> <ul style="list-style-type: none"> <li>• Trang crushing mill welcomed teachers and students from Sirindhorn College of Public Health, Trang Province to visit the mill and observe the project “Healthy, Safety and Happiness Workplace”.</li> <li>• Teachers and students from Department of Horticulture, Faculty of Agriculture, Kasetsart University visited UFC factory at Nakhorn Pathom for studying post harvest technology, quality control and processing of fruit &amp; vegetable and beverage products.</li> </ul>
 	<p><b>Blood Donation</b></p> <p>On 25 May 2017, Bangpoo refinery in cooperation with Samutprakran Hospital, held the 28<sup>th</sup> Blood Donation Event. On this occasion, 46 staff donated 16,000 ml. of blood. The Company will continue this activity to further help people and society.</p>

# MANAGEMENT DISCUSSION AND ANALYSIS

	<p><b>Volunteer for Local Community</b></p> <p>During 30 Jun – 1 Jul, 2017, volunteers from UFC Nakhon Pathom dredged the canal in Don Yai Hom Community to release water flow and reduce water pollution, enabling to thoroughly utilise water in the canal.</p>
<p style="text-align: center;"><b>QUARTER 3</b></p> 	<p><b>Allocated Empty Fruit Bunch for Flood Victims</b></p> <p>In July 2017, Trang crushing mill allocated its by-product (Empty Fruit Bunch) from own production process to Trang Land Development Station to be used as material for the rehabilitation of agricultural areas project which aimed to improve and recover soil condition for plant after an effect of flooding.</p>
	<p><b>Donated Sport Equipments to School</b></p> <p>In August 2017, Trang Crushing Mill donated mini football gate and sport equipments to Ban Laem Makham School and Ban Thung Khi Lek School, both of which are located nearby the mill, to be used as educational equipments and accessories.</p>
	<p><b>Release of Fish on the Occasion of 12 August</b></p> <p>In August 2017, Trang crushing mill arranged the activity to release fish into canal being an honor on Mother's Day which was held at National public park in Kuankun Municipality.</p>
	<p><b>Supported the Student Development Fund</b></p> <p>On 18 July 2017, UFC supported its products to the Faculty of Interdisciplinary Studies and the Christian University of Alumni Association under the Church of Christ in Thailand for Multidisciplinary rally project 2017, held during 22-23 July 2017. The objective is to raise money for the student development fund for the Faculty of Interdisciplinary Studies, the Faculty of Nursing, and the Faculty of Health Science and Graduate School.</p>
	<p><b>Donated EM to Ban Sobtui Community and Lampang Provincial Industry Office</b></p> <p>In August 2017, UFC Lampang donated EM (Effective Microorganisms) to Ban Sobtui Community leaders and Lampang Provincial Industry Office to be used for waste water and air treatment in community and other benefits.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS

	<p><b>Factory Visit by Students from Singapore Polytechnic</b></p> <p>On 22 September 2017, teachers and students from Singapore Polytechnic visited UFC factory at Nakhon Pathom to study the production process.</p>
<p style="text-align: center;">QUARTER 4</p> 	<p><b>Collaborated with Public Health Officer to Provide Detection of Chemical Residues for RSPO Members</b></p> <p>In October 2017, Trang crushing mill collaborated with Public Health Office of Sikao District arranged public health service to provide detection of chemical residues for RSPO members and farmers who delivered palm fruit to the mill.</p>
	<p><b>Participated in Traditional Khatina Ceremony at Don Yai Hom Temple</b></p> <p>On 7 October 2017, UFC Nakhon Pathom participated in traditional Khatina ceremony at Don Yai Hom temple, Don Yai Hom Sub-district, Muang District, Nakhon Pathom Province which located nearby the factory as the merit practice doing together with community.</p>
 	<p><b>Supported Accident Prevention Campaign During the New Year Holidays (Seven Dangerous Days)</b></p> <p>In December 2017, UFC supported accident prevention campaign during the New Year holidays (Seven Dangerous Days) to keep strong relationship with government officials as follows:</p> <ul style="list-style-type: none"> <li>On 25 December 2017, UFC Lampang donated campaign banner to Khelang Nakorn police station</li> <li>On 26 December 2017, UFC Nakhon Pathom donated UFC products to Nakhon Pathom Road Safety Center</li> </ul>

### 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 increased from 2016 by 323 million Baht or 5.3% due to sales volume of vegetable oil products increasing by 7.5% while average selling price decreasing by 8.4% in line with supply and demand of CPO in the Kingdom which increased from 2016 by 45.5% and 18.5% respectively (Source : Internal Trade Department). The supply of fresh fruit bunch (FFB) in the Kingdom increased by 42.2% in 2017 (Source : Internal Trade Department). This was from the better rainfall compared to 2016 which had the El Nino phenomenon and the oil palm planting area in the Kingdom was expanded as farmers switched crops from para rubber to oil palm which affected by the long term low price. Furthermore, replanted palm trees started to be mature. The CPO stock therefore increased continuously to its peak at 532,651 MT in November 2017 (Source : Internal Trade Department), pressing down the average CPO price from 31.95 Baht/Kg in 2016 to 24.88 Baht/Kg in 2017 or decreasing by 22.1% (Source : Internal Trade Department). Consequently, its gross profit in 2017 increased by 195 million Baht and selling and administrative expenses increased by 3.9%. The Company's net profit, as a result, increased by 102 million Baht or 74.1%.

The Company and its subsidiaries reclassified the statements of comprehensive income for the year 2016 to conform with the current year's classification.

(Unit : Thousand Baht)

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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

In 2017 its plantation subsidiary (UPOIC) recorded a net loss at 18 million Baht, decreased by 90 million Baht compared with net profit at 72 million Baht in 2016. This was because of the following factors.

The total volume of own FFB in 2017 was about the same as 2016 (FFB from own estates decreased by 2.5% and that from concession land increased by 4.7%). Although, in 2017, there was not an effect by drought caused by the El Nino phenomenon but the Company and its subsidiary has implemented replanting in the renewal concession area which was in line with the subsidiary's replanting programme set earlier. Therefore, the volume of crops was approximately the same as the previous year.

The concession area at approximately 21,348.94 rai already expired. Based on the current government policy, in case that the renewal of concession land is allowed, it will be given only 50% of actual utilised area. The details of the concession area 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 on 9 July 1984. It 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 until the land allocation is completed.
- 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.

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 harvesting FFB from that area of the National Reserved Forest from May 2015 onwards. However, permission was granted for a period of one year and will be renewed on yearly basis. The existing permission will be expired on 26 April 2018.

The total sales revenue of UFC in 2017 at 2,272.0 million Baht represented a decrease of 4.8% (2016 : 2,385.5 million Baht).

Export sales revenue contracted by 2.4% to 1,623.0 million Baht. This was due to the depreciation of the USD by 8.9%, the decision not to re-bid a large non-profitable OEM business and lesser demand for canned fruits and vegetables.

## MANAGEMENT DISCUSSION AND ANALYSIS

Notwithstanding, the sales of UFC Refresh coconut water continued to grow. Sales revenue from OEM brands to US however dropped due to cannibalization by organic coconut water and intensified price pressures from regional players in conventional coconut water.

UFC continued to invest heavily in the online businesses particularly in China, and in brand building activities in key markets like Singapore, New Zealand and the Far East. Sales performance in the new markets in the Middle East continued to grow steadily.

The overall economy of the domestic market remained soft in 2017. Total domestic sales dropped by 10.5%.

Canned fruit is the largest category accounting for 41.1% of total sales. The short supply of rambutan n longan and stiff price pressures from local competitors led to the sales decline of 15.2% versus year ago.

The total beverage market especially the juice category declined by 3.7%. The introduction of the new sugar tax from September aggravated the situation further.

The drop in the beverage market was partly mitigated by the growth in coconut water. Besides investing in the promotions UFC Refresh coconut water, UFC launched the new Homesoy original soy milk with basil seeds and ginger in the 6-oz aluminum can packaging. This opened up new channels of distribution for Homesoy.

With the rapidly growing trend in online sales and e-shopping, UFC has been actively working with e-retailers to take advantage of this new opportunity.

For the reasons mentioned above, profit attributable to equity holders of the Company increased from 331 million Baht in 2016 to 404 million Baht in 2017, or increasing by 22.2%. The Company's net profit margin in 2017 was recorded at 4.7% (2016 : 4%).

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

### **Revenues**

**Sales and service income :** Sales and service income under the Company and its subsidiaries increased by 306 million Baht or 3.7%. Sales of vegetable oil products increased by 350 million Baht. Sales of margarine and shortening products increased by 51 million Baht. Sales of palm products and others increased by 30 million Baht. Sales of beverage increased by 50 million Baht. Sales of canned fruit and vegetable fruit decreased by 171 million Baht. Sales of electricity power decreased by 4 million Baht.

**Other income :** Income other than those generated by normal operation was 88 million Baht or 1% of total revenues, an increase of 12 million Baht. This was derived from gain from sales of equipment of subsidiary.

### **Expenses**

**Cost of sales and service :** In 2017, the Company and its subsidiaries recorded cost of sales and service at 84.8% of total sales (2016 : 84.7%). Cost of sales and service of the Company itself was 89.8% (2016 : 92.4%) because of lower CPO price as explained above.

Plantation subsidiary UPOIC recorded cost of sales at 92.8% of total sales in 2017 (2016 : 84.2%). This was because the average selling price of CPO decreased by 22.6% which was greater than a 21.8% decrease in the average unit cost of CPO. This resulted in higher cost of sales in proportion with sales turnover. This was due to the larger number of crushing mills, resulting in the intense competition among buyers of FFB.

For UFC, it recorded cost of sales and service at 74.1% of total sales and service income in 2017 (2016 : 73%).

**Selling expenses :** In 2017, the Company and its subsidiaries recorded selling expenses at 640 million Baht, a increase of 1 million Baht (2016 : 639 million Baht). Selling expenses of the Company itself increased by 10 million Baht due to transportation cost, promotion expenses and staff expenses. At its subsidiaries, selling expenses decreased by 8.6 million Baht due to brokerage fee, promotion expenses and transportation cost.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Administrative expenses :** The Company and its subsidiaries recorded administrative expenses in 2017 at 219 million Baht (2016 : 200 million Baht), increasing by 19 million Baht deriving from employee benefits.

**Loss from change in fair value of biological assets :** In 2017, the subsidiary (UPOIC) recorded loss at 8.4 million Baht (2016 : gain at 8.8 million Baht)

**Share of loss from investment in joint venture :** In 2017, the subsidiary (UPOIC) recorded loss from investment in joint venture at 10 million Baht (2016 : loss at 11 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 since 2016.

**Finance cost :** Finance cost in 2017 was recorded at 40 million Baht (2016 : 44 million Baht).

### Profits

**Gross profit (GP) :** GP margin was 15.2% in 2017 (2016 : 15.3%). For the Company itself, gross profit increased by 195 million Baht. Gross profit of its subsidiary (UPOIC) decreased by 96 million Baht while gross profit of UFC decreased by 59 million Baht as earlier explained. The gross profit of the Company and its subsidiaries therefore increased by 40 million Baht or 3.2%.

**Profit before income tax expenses :** Due to the increasing of GP and SG&A expenses, the profit before income tax expenses increased by only 20 million Baht in 2017.

**Profit for the year :** The Company and its subsidiaries recorded the net profit attributable to equity holders of the Company at 404 million Baht (2016 : 331 million Baht), an increase of 74 million Baht or 22.2%, with net profit margin of 4.7% in 2017 (2016 : 4%).

**Dividend payout ratio :** In 2017, the Company paid dividend for the operational year 2016 at the rate of 0.10 Baht per share representing a payout ratio of 59.4% of net profit (2016 : 0.15 Baht per share, representing a payout ratio of 60% of net profit in 2015). It has been the Company's policy to pay dividends to shareholders not less than 40% of net earnings after tax.

In 2017, UPOIC paid a dividend for the operational year 2016 at the rate of 0.15 Baht per share representing a payout of 54% of net profit. UPOIC has a policy of paying not less than 50% of net profit after tax as dividend.

In 2017, UFC did not pay the dividend for the 2016 operational year.

**Book value (weighted average number of ordinary shares) :** As at 31 December 2017, the book value per share of LST was 3.60 Baht (weighted average number of shares at 820 million shares) (2016 : 3.45 Baht).

## 2. Financial position

**Assets :** At the end of 2017, the total asset value of the Company and its subsidiaries was 6,040 million Baht, an increase of 93 million Baht or 1.6%. The major reasons are as follows:-

- **Cash and cash equivalents :** The Company and its subsidiaries recorded cash and cash equivalents at 414 million Baht (2016 : 420 million Baht) decreasing by 6 million Baht or 1.5%. This was from lower cash of its subsidiaries.

- **Trade and other receivables :** Trade A/R – unrelated parties at 1,058 million Baht was recorded by the Company and its subsidiaries (after an allowance for doubtful debt), accounting for 17.5% of total assets (2016 : 885 million Baht, accounting for 14.9% of total assets). Such increase was because of higher A/R which was not yet due and A/R aging not more than 3 months. The average collection period was at 43 days in 2017. (2016 : 46 days)

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company and its subsidiaries recorded A/R aging more than 3 months and returned cheques at 5.1% (2016 : 6.2%). In the meantime, the Company already set the allowance for doubtful accounts at 84.6% of the value of A/R aging more than 3 months and returned cheques (2016 : 84.9%).

- **Inventory** was worth 1,452 million Baht or 24.1% of total assets, increasing by 27 million Baht (2016 : 1,426 million Baht, or 24% of total assets). At the Company level, there was an increase of 8 million Baht caused by higher work in process. At subsidiaries, there was an increase of 19 million Baht. During the year, the Company and its subsidiaries reversed the write-down of cost of inventories by 15 million Baht (2016 : 9 million Baht). This was included in cost of sales.

- **Biological assets** was recorded at 71 million Baht accounting for 1.2% of total assets, decreasing by 13 million Baht (2016 : 84 million Baht accounting for 1.4% of total assets which was affected by the change of financial reporting standards for Agriculture as well).

- **Other current assets** was 36 million Baht decreasing by 3 million Baht. This derived from prepaid expenses at the Company level.

- **Investment properties** decreased by 1 million Baht due to annual depreciation.

- **Property, plant and equipment** : The net value of property, plant and equipment was at 2,351 million Baht decreasing by 63 million Baht or 2.6% from 2016. It derived from the disposal of unused equipments and the annual depreciation.

- **Cost of forest land rights and cost of palm plantation** increased by 16 million Baht due to cost of plantation which was still immature at a subsidiary.

- **Intangible assets** increased from the additional purchase of computer software.

- **Other non-current assets** decreased by 24 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 3,730 million Baht from shareholders' equity and 2,310 million Baht from liabilities or 61.8% and 38.2% of total liabilities and equities, respectively. Such liabilities were mainly derived from loans from financial institutions amounted to 1,614 million Baht or 69.8% of total liabilities, comprising short-term loan at 1,583 million Baht and current portion of long-term loans at 31 million Baht. The debt to equity ratio was 0.62 times at the end of 2017 (2016: 0.70 times). Further details are set out below:-

- **Shareholders' equity** increased by 238 million Baht or 6.8% 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 1,583 million Baht, of which:-

- 1) 510 million Baht was extended to a subsidiary.
- 2) 400 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) 570 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 31 million Baht represents the long-term loan net of current portion combined with:-

- 1) 13 million Baht was extended to a subsidiary. The loan is repayable every 3 months starting in September 2016 until June 2019, and bears interest at the rate of THBFIX.

## MANAGEMENT DISCUSSION AND ANALYSIS

- 2) 18 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 3-month BIBOR + 1%.

### **Financial liquidity**

In 2017, the Company and its subsidiaries had lower financial liquidity than 2016 as cash and cash equivalents decreased by 6 million Baht to 414 million Baht (2016 : 420 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 2017, the Company and its subsidiaries had net cash received from operating activities at 373 million Baht (2016 : 531 million Baht) decreasing by 158 million Baht. Such decrease was contributed by trade and other receivables increasing by 193 million Baht and inventories increasing by 11 million Baht, while trade and other payables decreasing by 36 million Baht.

**Cash flows from investing activities :** In 2017, the Company and its subsidiaries recorded net cash used in investing activities at 104 million Baht (2016 : 287 million Baht). This was because of the investment in machineries from the Company and its subsidiary.

**Cash flows from financing activities :** In 2017, the Company and its subsidiaries recorded net cash used in financing activities at 275 million Baht (2016 : receipt of 304 million Baht). Such decrease was attributed to the repayment of loan from financial institution.

### **Financial ratios**

**Current ratio** was at 1.43 times (2016 : 1.27 times).

**Quick ratio** was at 0.71 times (2016 : 0.59 times).

**Return on total assets (Average)** was 6.7% in 2017 (2016 : 6%) as net profit for the year increased by 22.2%, whereas total assets increased by 1.6%.

**Return on total equity (Average)** was 11.1% in 2017 (2016 : 10.6%) as net profit for the year increased.

**Total debt to equity ratio** decreased to 0.62 times in 2017 (2016 : 0.70 times) due to loans from financial institutions decreased.

**Accounts receivable turnover** was at 8.39 times in 2017 (2016 : 7.89 times) with the average collection period at 43 days (2016 : 46 days).

**Inventory turnover of finished goods** was 13.76 times in 2017 (2016 : 12.69 times) with the inventory turnover period at 26 days (2016 : 28 days).

**Accounts payable turnover** was 14.18 times in 2017 (2016 : 13.68 times); average payment period was at 25 days (2016 : 26 days).

## **4. Capital Expenditure**

Capital expenditure of the Group has been planned to include land purchase for growing palm, replanting programme, and continuous improvement of machinery efficiency.

- In 2017, the Company only invested in machinery and equipment to replace the old ones and enhance the production efficiency.
- In 2017, capital expenditure of the subsidiary (UPOIC) was incurred mostly for the replanting programme which continued from 2015 and 2016. Harvesting FFB output from the programme is expected to start in 2018. Furthermore, UPOIC invested in machinery and equipment to replace the old ones.

### 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)	2017	2018
for the Company	1,660,000	1,660,000
for 2 subsidiaries	2,170,000	2,185,000
for 5 related companies	710,000	710,000
<b>Total</b>	<b>4,540,000</b>	<b>4,555,000</b>

#### 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)	2017	2018
for the Company	420,000	240,000
for 2 subsidiaries	240,000	-0-
for 2 related companies	100,000	100,000
<b>Total</b>	<b>760,000</b>	<b>340,000</b>

## SHAREHOLDERS AND MANAGEMENT

### Shareholders

As at 9 May 2017, the top ten shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon Holding Co., Ltd. <sup>(i)</sup>	42.11
(2) Hap Seng Consolidated Berhad <sup>(ii)</sup>	20.00
(3) Lam Soon Cannery Pte Ltd. <sup>(iii)</sup>	7.48
(4) CIMB Securities (Singapore) Pte Ltd	6.47
(5) Raffles Nominees (Pte) Limited	4.53
(6) CIMB Securities Limited	1.62
(7) Mr. Suwit Laohapolwattana	1.49
(8) Mrs. Supaporn Smitthinant	1.32
(9) Thai NVDR Co., Ltd.	1.04
(10) Ms. Arunee Wongwallaporn	0.65

Source : Thailand Securities Depository Co., Ltd.

#### Note :

- (i) Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2017, 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 2017 was 60.83% comprising direct and indirect shareholdings of 54.63% and 6.20% respectively.

- (iii) Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2017, 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. 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 2018 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

The qualifications of Independent Directors were presented in item 5.1.6 under “REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE”.

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

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

In 2017, the Board of Directors held 5 meetings, with attendance shown of each member as below:-

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

## 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. Virat Suwannarat	Human Resources Manager
(9) Ms. Sukanya Prakongwittaya	Operations 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 : 77 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 : 11 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 2017 : Attended the Board Meeting 5 times out of 5 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 : 59 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 : 23 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 2017 : Attended the Board Meeting 5 times out of 5 times

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

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

Age : 71 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 : 11 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 2017 : Attended the Board Meeting 5 times out of 5 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 2 times out of 2 times

**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 : 69 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 : 11 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.
- Chairman and Independent Director, TPBI Plc.

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

Other Experience :

- 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 2017 : Attended the Board Meeting 5 times out of 5 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 2 times out of 2 times

### (5) Lackana Leelayouthayotin, Ph.D.

Independent Director

Age : 64 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 : 3 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.
- Independent Director and Chairman of the Audit Committee, Techno Medical Plc.

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

**Note :** ■ present □ past

## SHAREHOLDERS AND MANAGEMENT

- Other Experience :
- Director, Aisance Co., Ltd.
  - Consultant, Cerebos (Thailand) Co., Ltd.
  - 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
  - President of the Foundation for Education of the Marketing Association of Thailand (MAT)
  - Consultant, Committee of the Recruitment and Promotion of Voluntary Blood Donor, The Thai Red Cross Society
  - Director, The ONE Enterprise 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 2017 : Attended the Board Meeting 5 times out of 5 times

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

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

- Age : 61 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 : 11 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 2017 : Attended the Board Meeting 2 times out of 5 times  
 Attended the NC Meeting 1 time out of 2 times

**Note :** ■ *present* □ *past*

## SHAREHOLDERS AND MANAGEMENT

### (7) Mr. Whang Shang Ying

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

Age : 57 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 : 20 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 2017 : Attended the Board Meeting 5 times out of 5 times  
   Attended the RC Meeting 2 times out of 2 times  
   Attended the NC Meeting 2 times out of 2 times

### (8) Ms. Piyathida Sukchan

Executive Director and Member of Risk Management Committee

Age : 49 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 : 5 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 2017 : Attended the Board Meeting 5 times out of 5 times

**Note :**  present     past

## SHAREHOLDERS AND MANAGEMENT

### (9) Mr. Ampol Simarojana

Non-Executive Director and Operations Consultant

Age : 61 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 : 23 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 2017 : Attended the Board Meeting 5 times out of 5 times

### (10) Mrs. Roongnapa Phanomchoeng

Sales Manager- Key Account

Age : 59 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 : 45 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 : 44 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 : 47 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. Virat Suwannarat**

Human Resources Manager and Member of Risk Management Committee

Age : 50 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.

**(15) Ms. Sukanya Prakongwittaya**

Operations Manager

Age : 43 years  
 % of share holding : None  
 Family relation with management : None  
 Education : Master of Business Administration (Major in Marketing), Kasetsart University  
 Master of Engineering Program in Industrial Engineering, Chulalongkorn University  
 Director Training Programme : None

Other Experience :

- Head of Supply Chain Performance Excellence, Friesland Campina Thailand PCL.
- Director of Consulting, Peoplan Consulting Co.,Ltd.
- South Asia Supply Chain Operation Performance Excellence Manager, Kimberly-Clark (Asia Pacific) Ltd.
- Plant Manager, Kimberly-Clark (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 2016	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2017
(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. Virat Suwannarat	-	-	-
(15) Ms. Sukanya Prakongwittaya	-	-	-

### 7. Remuneration of Directors and Management

#### Monetary Remuneration

(a) Director's fees : Total fees to all 9 members of the Board 5,655,900 Baht

Name	Position	Director's fees in 2017
(1) Art-ong Jumsai Na Ayudhya, Ph.D.	Chairman of the Board, Independent Director, and Chairman of Audit Committee	1,072,800
(2) Ms. Anchalee Suebchantasiri	Managing Director	260,400
(3) Assoc. Prof. Preecha Jarungidanan, Ph.D.	Independent Director Member of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee	1,032,800
(4) Mr. Banchong Chittchang	Independent Director Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee	1,032,800
(5) Lackana Leelayouthayotin, Ph.D.	Independent Director	549,600
(6) Datuk Simon Shim Kong Yip	Non-Independent Non-Executive Director and Chairman of Nomination Committee	571,500
(7) Mr. Whang Shang Ying	Executive Director Member of Remuneration Committee Member of Nomination Committee	326,000
(8) Ms. Piyathida Sukchan	Executive Director	260,400
(9) Mr. Ampol Simarojana	Non-Executive Director and Operations Consultant	549,600

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

(c) Remuneration of all 11 persons of the Management : 82,817,568 Baht\*

(d) Remuneration paid to the Company's Executive Directors as the Management of Subsidiaries for 3 persons : 7,389,000 Baht

## SHAREHOLDERS AND MANAGEMENT

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

### Other Remuneration

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

As for Provident Fund, the Management has been paid at the same rate as other employees. However, no Provident Fund has been paid to Mr. Whang 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 does not set up an internal audit unit but it has employed Dr. Virach & Associates Office to be the Company's internal auditors since 2004 because the proper role of internal auditor is to independently perform auditing services to assist in the attainment of good corporate governance and develop the efficiency and effectiveness of operations. Internal auditing also delivers an advice on the Company's financial, operation and risk management supporting the Company to achieve its objectives and corporate goal. Therefore, internal auditing process requires transparency and real independence by implementing a check and balance measure. It also can provide an early warning sign of misconduct or corporate corruption. As a result, the consideration being given outsourcing the internal auditors to perform internal auditing functions is appropriate. The outsourced internal auditors can be an eligible intermediary between the management team and the operating units. Furthermore, it also mitigates the problem of internal coordination.

During the Board Meeting No. 1/2018 held on 23 February 2018, 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	:	47 years
% of share holding	:	None
Family relation with management	:	None
Education	:	B.B.A. (Accounting), Ramkhamhaeng University LL.B., Thammasat University MBA., Ramkhamhaeng University Certified Public Accountant
Training Course	:	COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission) Evaluation of internal control system COSO-ERM (The Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management)
Duties and responsibilities	:	Design the annual internal audit plan Review risk assessment of the internal control system Submit the finding reports to the Audit Committee
Other Experience	:	<ul style="list-style-type: none"> <li>■ Audit partner Dr. Virach and Associates Office Co., Ltd.</li> <li>■ Internal auditor, United Palm Oil Industry Public Co., Ltd., 18 years</li> <li>■ Internal auditor, Lam Soon (Thailand) Public Co., Ltd., 13 years</li> </ul>

**Note :** ■ *present*      □ *past*

### **Dividend Payout Policy**

The Company's policy is to pay dividends to shareholders of an amount not less than 40% of its net earnings after tax subject to the Company's future investment and funding requirements. The Board of Directors passed a resolution to propose the payment of dividend for the operational period of 2017 at the rate of 0.18 Baht/share representing 61.4% of net profit, compared with that of 2016 at 0.10 Baht/share representing 59.4% 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
		2017	2016		
Subsidiary company	Purchase of raw materials	308	516	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	638	709	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	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	34	85	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	64	68	On actual basis	This is selling and administrative expenses from being the distributor for UFC.

The balances of the accounts as at 31 December 2017 and 2016 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 2017, the Company's purchases of CPO, CPKO, PKS and FFB from UPOIC accounted for 8.08% (2016 : 13.29%) 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 of each year on CPO stock management in nationwide 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 the average selling and administrative expenses of the group as a whole.

### **Legal conflicts**

As at 31 December 2017, 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**

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- None -



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

## **Independent Auditor's Report**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

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

#### *Revenue recognition*

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

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

#### *Impairment of goodwill*

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

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

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

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

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

## **Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

EY Office Limited  
Bangkok: 23 February 2018

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2017

(Unit: Baht)

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

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



Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2017

(Unit: Baht)

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

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

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

**Statements of financial position (continued)**

**As at 31 December 2017**

(Unit: Baht)

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

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

Directors

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2017

(Unit: Baht)

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

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

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

**Statements of comprehensive income (continued)**

**For the year ended 31 December 2017**

(Unit: Baht)

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

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2017

(Unit: Baht)

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

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

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

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

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

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

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

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



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

**Cash flow statements**

**For the year ended 31 December 2017**

(Unit: Baht)

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

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

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

**Cash flow statements (continued)**

**For the year ended 31 December 2017**

(Unit: Baht)

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

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

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

**1. General information**

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

**2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

**2.2 Basis of consolidation**

a) The consolidated financial statements include the financial statements of Lam Soon (Thailand) Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

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

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

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

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same reporting period and the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

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

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

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

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

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

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

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

#### **4.1 Revenue recognition**

##### *Sales of goods*

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

##### *Service income*

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

### *Interest income*

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

### *Dividends*

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

## **4.2 Cash and cash equivalents**

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

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

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

## **4.4 Inventories**

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

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

## **4.5 Investments**

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

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

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

#### 4.6 Investment properties

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

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

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

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

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

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

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

Depreciation is included in determining income.

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

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

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

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

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

Amortisation is included in determining income.

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

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

#### **4.9 Borrowing costs**

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

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

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

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

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

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



#### **4.11 Biological assets**

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

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

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

The agricultural produce is included in inventories.

#### **4.12 Goodwill**

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

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

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

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

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

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

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

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

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term.

#### **4.15 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

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

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

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that the previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **4.17 Treasury stock**

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

#### **4.18 Employee benefits**

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

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

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

###### *Defined contribution plans*

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

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

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

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

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

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

#### **4.19 Provisions**

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

## 4.20 Income tax

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

### **Current tax**

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

### **Deferred tax**

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

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

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

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

## 4.21 Derivatives

### *Forward exchange contracts*

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

### *Interest rate swap contracts*

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

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

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

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

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

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

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

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

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

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

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

### **Biological assets**

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

### **Goodwill**

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

### **Deferred tax assets**

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

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

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

### **Contingent liabilities**

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

## 6. Related party transactions

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

(Unit: Million Baht)

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



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

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

**Short-term loans to related parties**

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

### Selling and administrative service income

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

### Directors and management’s remuneration

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

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

(Unit: Thousand Baht)

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

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

## 8. Trade and other receivables

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

## 9. Inventories

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

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

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

## 10. Biological assets

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

(Unit: Thousand Baht)

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

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

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

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

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

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

(Unit: Thousand Baht)

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

## 11. Investments in subsidiaries

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

(Unit: Thousand Baht)

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

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

## 11.2 Goodwill

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

(Unit: Thousand Baht)

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

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

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

(Unit: Percent per annum)

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

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

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

## 12. Investment in joint venture

### 12.1 Details of investment in joint venture

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

(Unit: Thousand Baht)

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

### 12.2 Share of comprehensive income and dividend received

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

(Unit: Thousand Baht)

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

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



### 12.3 Summarised financial information about joint venture

#### Siam Elite Palm Company Limited

##### Summarised information about financial position

(Unit: Thousand Baht)

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

##### Summarised information about comprehensive income

(Unit: Thousand Baht)

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

### 13. Investment in associated company

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

(Unit: Thousand Baht)

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

### 14. Other long-term investments

(Unit: Thousand Baht)

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

## 15. Long-term loans to other companies

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

## 16. Investment properties

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

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

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

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

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

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

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

Key assumptions used in the valuation are summarised below.

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

## 17. Property, plant and equipment

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

## Consolidated financial statements

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

**Depreciation for the year**

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

233,392

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

228,442

(Unit: Thousand Baht)

## Separate financial statements

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

(Unit: Thousand Baht)

## Separate financial statements

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



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

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

As at 31 December 2017, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 1,845 million (2016: Baht 1,743 million) and for the Company amounted to approximately Baht 778 million (2016: Baht 756 million).

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

## 18. Cost of palm plantation

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

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

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

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

## 19. Intangible assets

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

(Unit: Thousand Baht)

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

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

(Unit: Thousand Baht)

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

## 20. Short-term loans from financial institutions

(Unit: Thousand Baht)

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

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

## 21. Trade and other payables

(Unit: Thousand Baht)

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

## 22. Other current liabilities

(Unit: Thousand Baht)

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

## 23. Long-term loans

(Unit: Million Baht)

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

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

#### 24. Liabilities under finance lease agreements

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

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

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

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

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

## 25. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

Separate financial statements

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



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

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

Separate financial statements

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

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

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

Significant actuarial assumptions used for the valuation are as follows:

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

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

(Unit: Million Baht)

As at 31 December 2017

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

(Unit: Million Baht)

As at 31 December 2016

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

## 26. Statutory reserve

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

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

## 27. Expenses by nature

Significant expenses classified by nature are as follows:

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

## 28. Income tax

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

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

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

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

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

(Unit: Thousand Baht)

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

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

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

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

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

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

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

## 29. Promotional privileges

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

### **The Company**

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

### **Subsidiaries**

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

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



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

(Unit: Thousand Baht)

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

### 30. Earnings per share

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

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

### 31. Segment information

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

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

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

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

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

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

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

(Unit: Million Baht)

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

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

*Geographic information*

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

### *Major customers*

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

### **32. Provident fund**

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

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

### **33. Dividends**

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

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

### **34. Commitments and contingent liabilities**

#### **34.1 Capital commitments**

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

#### **34.2 Operating lease commitments**

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

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

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

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

### 34.3 Guarantees

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

### 34.4 Contingent liabilities

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

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

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

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

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

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

### 35. Fair value hierarchy

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

(Unit: Million Baht)

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

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2016

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

(Unit: Million Baht)

Separate financial statements

As at 31 December 2017

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

(Unit: Million Baht)

Separate financial statements

As at 31 December 2016

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

## **36. Financial instruments**

### **36.1 Financial risk management**

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

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

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

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

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

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



(Unit: Million Baht)

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

(Unit: Million Baht)

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

### **Foreign currency risk**

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

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

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

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

As at 31 December 2017

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

As at 31 December 2017

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

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

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

### 36.2 Fair values of financial instruments

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

### 37. Capital management

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

### 38. Events after the reporting period

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

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

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

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

### 39. Reclassification

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

(Unit: Thousand Baht)

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

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

### 40. Approval of financial statements

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